

# ***Government That Works!***

NEW JERSEY DEPARTMENT OF THE TREASURY

## **LOCAL GOVERNMENT BUDGET REVIEW**

***HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT***

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*Governor*

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**MAY, 1999**



## **GOVERNMENT THAT WORKS**

### **OPPORTUNITIES FOR CHANGE**

#### ***The Report of the Hopewell Valley Regional School District Review Team***

New Jerseyans deserve the best government their tax dollars can provide. Governor Whitman is committed to making State Government leaner, smarter and more responsive by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board. Government on all levels must stop thinking that money is the solution to their problems and start examining how they spend the money they now have. It is time for government to do something different.

Of major concern is the rising cost of local government. There is no doubt that local government costs and the property taxes that pay for them have been rising steadily over the past decade. Prior to Governor Whitman's taking office in 1994, the State had never worked as closely with towns to examine what is behind those costs. That is why she created the Local Government Budget Review (LGBR) program. Its mission is simple: to help local governments and school boards find savings and efficiencies without compromising the delivery of services to the public.

The LGBR program utilizes an innovative approach, combining the expertise of professionals primarily from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a comprehensive management review and consulting service by the State at no cost. To find those "cost drivers" in local government, teams review all aspects of local government operation, looking for ways to improve efficiency and reduce costs.

In addition, teams also document those State regulations and mandates which place burdens on local governments without value added benefits and suggest, on behalf of local officials, which ones should be modified or eliminated. Teams also look for "best practices" and innovative ideas that deserve recognition and that other communities may want to emulate.

Based upon the dramatic success of the program and the number of requests for review services, in July, 1997, Governor Whitman ordered the expansion of the program, tripling its number of teams, in an effort to reach more communities and school districts. The ultimate goal is to provide assistance to local government that results in meaningful property tax relief to the citizens of New Jersey.

## **THE REVIEW PROCESS**

In order for a community or school district to participate in the Local Government Budget Review (LGBR) program, a majority of the elected officials must request the help of the review team through a public resolution. There is a practical reason for this: to participate, the governing body must agree to make all personnel and records available to the review team, and to agree to an open public presentation of the review team's findings and recommendations.

As a part of the review of the Hopewell Valley Regional School District, review team members interviewed board of education members, central office and school administrators, supervisors, teachers, district employees, parents, association officers, local elected and appointed borough and township officials, county and state education personnel and community members. Approximately 90 individuals were interviewed in all. In general, the review team received full cooperation from the elected officials, interim superintendent, business administrator, district staff members, community members and all others interviewed. That cooperation and assistance was testament to the willingness on the part of most to embrace recommendations for change. It is with the cooperative spirit exhibited by the people of Hopewell Valley that the review team anticipates most to accept its findings and recommendations. Those officials and employees who remain skeptical of the need for change or improvement will present a significant challenge for those committed to embracing the recommendations outlined in this report. It was a pleasure to work with the people of Hopewell Valley.

Team members examined various documents including budget statements, audit reports, annual financial statements (CAFR), collective bargaining agreements, state report card, payroll records, personnel contracts, vendor and account analyses, purchase orders, board policies and meeting agenda and minutes, long range plans and numerous other appropriate documents. The review team physically visited all school sites and observed work procedures throughout the system. Team members observed board of education meetings and other meetings during the term of its field-work as well.

Where possible, the potential financial impact of an issue or recommendation is provided in this report. The recommendations do not all have a direct or immediate impact on the budget or tax rate. These estimates have been developed in an effort to provide the district with an indication of the potential magnitude of each issue and the savings, or cost, to the community. We recognize that all of these recommendations can not be accomplished immediately and some of the savings will occur only in the first year. Many of the suggestions will require negotiations through the collective bargaining process. We believe the estimates are conservative and achievable.

In addition to the Findings and Recommendations section, this report contains three sections entitled Best Practices, Shared Services and Statutory and Regulatory Reform. Best Practices identifies areas that the district does exceptionally well and cost effectively that may be replicated by other school districts. Shared Services identifies and suggests areas where shared service opportunities may result in savings. Statutory and Regulatory Reform indicates areas

brought to the attention of the team by local officials and employees where state laws and rules may cause inefficiencies and where change is recommended.

**LOCAL GOVERNMENT BUDGET REVIEW  
EXECUTIVE SUMMARY  
HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT**

The Local Government Budget Review (LGBR) unit of the New Jersey Department of Treasury conducted an extensive study of the Hopewell Valley Regional School District at the request of the Hopewell Valley Regional Board of Education. Some 31 areas with 43 sub topics were reviewed and recommendations were made for cost savings and/or managerial reform. Seven areas were selected to be recognized as best practices with others being commended in the findings. Six areas were listed as possible State regulatory or statutory reform.

Following is an executive summary of the findings and recommendations and dollar savings, as appropriate:

**1. Benchmarking / Comparative Analyses**

Statistical data of school districts comparable to Hopewell Valley Regional School District is provided as a basis for making many of the recommendations.

**2. Organization / Administration**

Overall, the district is appropriately staffed administratively. There is need for some realignment of administrative staff responsibilities. Consideration should be given to providing administrative assistance to Hopewell Elementary School with its growing enrollment.

**3. Board Member Relations**

Clearly defined policies and board member training are needed regarding the roles and responsibilities of board members. The Board should seek the assistance of the New Jersey School Boards' Association, which provides workshops on these topics.

**4. Business Office**

A study of the functions and efficiency of the district's business office indicates a need for realignment of responsibilities, cross training of job functions, creation of office procedural manuals, intensive technology training on software already in place and the reduction of one position, which could save \$34,000.

**5. Purchasing**

Inefficiencies were found in the processing of purchase orders. The purchasing department needs to resolve open purchase orders dating back to 1996-97 and must institute pre-numbered purchase orders as directed in NJ Department of Education monitoring and as recommended by auditors. A productivity enhancement of \$9,466 can be accomplished by following recommendations.

## **6. Credit Cards**

It is recommended that the district discontinue the use of its credit card account.

## **7. Bidding and Contracts**

Savings can be realized through more active participation in cooperative purchasing groups. An example using the purchase of natural gas was given illustrating potential savings of \$16,391.

## **8. Payroll**

The current system, with various offices tracking attendance and other personnel functions that impact upon payroll, is inefficient. Streamlining the processes and using existing technology would improve accuracy and result in productivity savings.

## **9. Budgeting**

The process of budget preparation needs to be revised and a system developed which is consistent among all the schools in the district.

## **10. Surplus**

The district needs to increase and maintain its surplus amount to a 3.5 % level. This can be accomplished through better budgeting procedures and management.

## **11. Cash Management**

A number of items were examined in the area of cash management. RFPs for banking services, improved investment strategies, consolidation of accounts into higher interest-bearing ones, eliminating use of hand drawn checks except in emergencies, reducing transfers, and other management strategies would result in efficiency and savings. Interest earnings could increase by \$35,000.

## **12. Inventory**

Implementation of existing board policy to maintain a current inventory is recommended.

## **13. Photocopiers**

Changing from leasing copiers to cost per copy contracts and reducing the number of photocopiers could result in savings totaling \$103,850.

#### **14. Collective Negotiations Agreements**

The six bargaining agreements the board has with various employee bargaining groups contain provisions that are costly, and may be considered extravagant, when compared with state norms. Consideration should be made to eliminate some of these in future negotiations. A potential total savings in excess of \$102,500 could be realized.

#### **15. Insurance**

A number of adjustments to health benefits provisions and management of these could save up to \$224,370. Some changes would have to be negotiated with employee groups and insurance carriers.

#### **16. Hiring Practices**

A number of personnel office procedures, including recruitment, contracting, hiring practices and record keeping, were reviewed. The team recommended establishing clear hiring guidelines, generating an employee handbook, making use of technology and developing strategies to address sick leave abuse. A value-added enhancement of adding a human resource specialist would cost about \$45,000.

#### **17. Contracted Services**

The board should explore opportunities to save by seeking RFPs for competitive pricing of its contracted service providers. Current contracts should be on file and available in the district office.

#### **18. Staffing**

It is recommended that a study of the most effective use of teachers' schedules, teacher assistants, subject supervisors and head teachers be conducted by the board. The review team feels that a saving totaling nearly \$170,000 can be achieved through equitable scheduling, staff reassignments and reductions in staff.

#### **19. Management Information Systems**

Better use of technology, reorganization of existing staff to include additional technical personnel, computer inventory, more efficient purchasing, including cooperative group buying, and other adjustments to current practices will result in savings. A value-added cost of \$70,000 for additional technicians is included.

#### **20. Communications**

Some \$9,000 can be saved through centralizing pagers to a single plan for the district, rather than a fragmented one, eliminating cell phones,

and changing the long distance provider.

## **21. Food Service**

A reduction of the board's subsidy, a change in vending machine control and other minor adjustments to the enterprise fund operations is recommended to effect savings.

## **22. Custodial Services**

Competitive contracting is recommended for custodial and maintenance services. A saving of approximately \$392,375 could be achieved by privatizing custodial services. An optional proposal was made, resulting in a saving of \$94,152, recommending the reduction of the number of custodians.

## **23. Transportation**

More efficient routing and ridership to reduce 12 bus routes, elimination of courtesy busing and initiating subscription busing and cooperative contracting for special education out-of-district transportation would result in savings of over \$380,000.

## **24. Facilities**

The team recommends adherence to the district's Five Year Maintenance Plan, better management of district facilities to provide much needed storage space and increased fees for facility use to increase efficiency, improve planning and offset operational costs.

## **25. Special Education**

The district is making positive moves to return out-of-district placements and establish their own classes. Continuing this trend and other related actions in the special education areas could result in savings totaling \$466,620.

## **26. Driver Education**

The district needs to log all related expenses of the driver education program to determine true and accurate costs and to determine whether it is self-sustaining.

## **27. Child Care Programs**

A nominal fee should be charged for children participating in the high school child care course / program to offset program costs. A revenue of \$6,750 could be realized for a \$5 per day per child contribution.



## **28. Shared Services**

The district has made an attempt at initiating and participating in shared service opportunities. The local municipal governments have expressed a willingness to cooperate and there are a number of school district cooperatives and consortiums in which the district could participate more fully. There are tremendous opportunities for substantial savings for the taxpayers in Hopewell Valley if all of their elected bodies worked cooperatively. The LGBR strongly supports the concept of shared services.



Photocopiers	\$103,850	\$103,850	\$34,000	\$83,401	\$26,482,546	\$34,000
Special Education	\$446,620	\$466,620	\$9,466	\$1,044,778	\$(2,808,179)	\$9,466
Transportation	\$380,156	\$380,156	\$16,391	\$1,128,179	\$23,674,367	\$16,391
Custodial Services	\$94,152	\$94,152	\$35,000			\$35,000
Other	\$83,401	\$1,044,778	\$(45,000)			\$103,850
Negotiable Savings	\$496,870		\$70,000			\$(45,000)
			\$(74,000)			\$70,000
Budget	\$26,482,546		\$9,000			\$(74,000)
Savings	\$1,128,179		\$17,894			\$9,000
			\$3,900			\$17,894
			\$6,750			\$392,371
			\$83,401			\$380,156
						\$3,900
						\$2,000,000
						\$(20,000)
						\$466,620
						\$6,750
						\$3,406,400

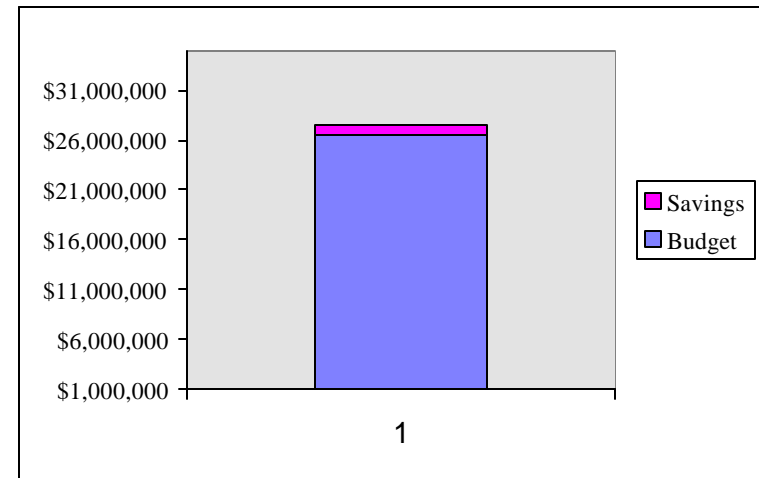
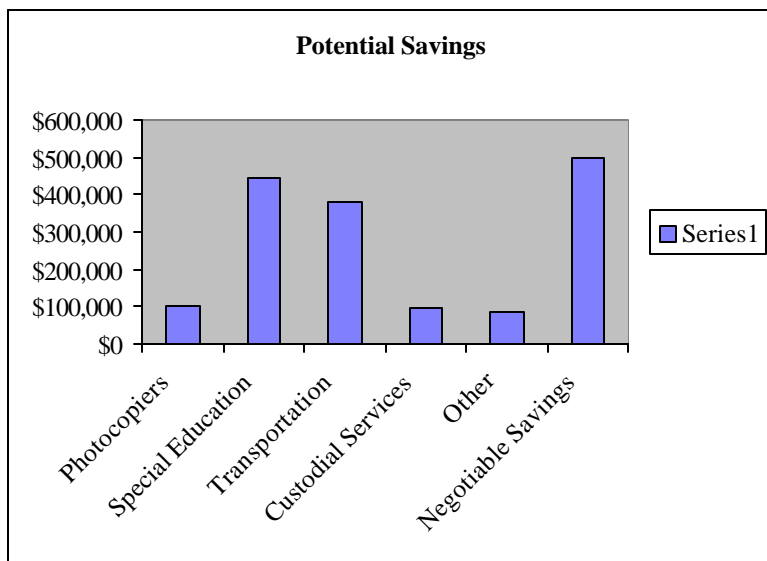
<u>Areas Involving Monetary Recommendations</u>	<u>Annual Savings/ Expense</u>	<u>*Potential Savings</u>	<u>Totals</u>
Business Office	\$34,000		\$34,000
Purchasing	\$9,466		\$9,466
Bidding and Contracts	\$16,391		\$16,391
Cash Management	\$35,000		\$35,000
Photocopiers	\$103,850		\$103,850
Collective Bargaining Agreements		\$102,500	\$0

Insurance		\$224,370	\$0
Hiring Practices	(\$45,000)		(\$45,000)
Staffing	\$70,000	\$170,000	\$70,000
Management Information System	(\$74,000)		(\$74,000)
Communications	\$9,000		\$9,000
Food Services	\$17,894		\$17,894
Custodial Services	\$94,152 to \$392,375		\$94,152
Transportation	\$380,156		\$380,156
Facilities	\$3,900		\$3,900
Special Education	\$466,620		\$466,620
Child Care Program	\$6,750		\$6,750
<b>Total Potential for Savings</b>	<b>\$1,128,179 to \$1426,402</b>	<b>\$496,870</b>	<b>\$1,128,179</b>

\* \$496,870 not included in savings of \$1,128,179.

<b>Total Amount Raised for Municipal Tax</b>	<b>\$23,132,131</b>
<b>Savings as a % of School Tax</b>	<b>4.9%</b>

<b>Total Budget</b>	<b>\$26,482,546</b>
<b>Savings as a % of Budget</b>	<b>4.3%</b>
<b>Total State Aid</b>	<b>\$1,896,657</b>
<b>Savings as a % of State Aid</b>	<b>59.5%</b>



## TABLE OF CONTENTS

Preface - Government That Works/Opportunities for Change  
 The Review Process  
 Executive Summary  
 Comparison of Costs/Tax Rate with Recommended Savings

<b><u>CONTENTS</u></b>	<b><u>PAGE</u></b>
COMMUNITY OVERVIEW .....	1
I. BEST PRACTICES .....	2
II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS .....	5
COMPARATIVE ANALYSES .....	5
ORGANIZATION/ADMINISTRATION .....	11
GENERAL SCHOOL DATA/COMPARISONS .....	12
BOARD MEMBER RELATIONS .....	14
BUSINESS OFFICE .....	14
PURCHASING .....	16
CREDIT CARDS .....	19
BUSINESS OFFICE SOFTWARE PACKAGE .....	19
BIDDING AND CONTRACTS .....	20
PAYROLL .....	22
BUDGETING .....	23
SURPLUS .....	24
CASH MANAGEMENT .....	26
PETTY CASH .....	29
INVENTORY .....	37
PHOTOCOPIERS .....	37
III. COLLECTIVE BARGAINING AGREEMENTS .....	38
INSURANCE .....	44
CONTRACTED SERVICES .....	51
STAFFING .....	52
MANAGEMENT INFORMATION SYSTEMS .....	53
COMMUNICATIONS .....	59
FOOD SERVICE (Enterprise Fund) .....	61
CUSTODIAL SERVICES .....	63
TRANSPORTATION .....	66
FACILITIES .....	68
DISTRICT OWNED PROPERTY .....	70
SPECIAL EDUCATION .....	72
DRIVER EDUCATION .....	74
CHILD CARE PROGRAM .....	75
IV. SHARED SERVICES .....	76
V. STATUTORY AND REGULATORY REFORM .....	78

## COMMUNITY OVERVIEW

The Hopewell Valley Regional School District is comprised of the historic communities of Hopewell Borough, Pennington Borough and Hopewell Township. Hopewell Valley encompasses approximately 60 square miles. Hopewell Township is the largest area, 58.1 square miles, Hopewell Borough is 0.7 square miles and Pennington is one (1) square mile in area.

From written accounts of the history of Mercer County the two boroughs are “historic original, distant crossroads in the area’ that are now nearly fully developed with very little undeveloped land.” They are charming, beautiful, residential communities undergoing a transition to revitalized business communities, with a younger generation moving into the older homes. They are working to maintain their charm and character, while simultaneously providing modern municipal services and excellent schools.

Hopewell Township is a mix of the natural beauty of rural rolling hills and farmlands which border the Delaware River at Washington’s Crossing, and growing residential developments and corporate offices.

Hopewell Valley is ideally located in Mercer County in central New Jersey, just minutes north of Trenton. It is about an hour from Philadelphia and 90 minutes from New York City. Interstate route 95 borders the valley to the south and the busy highways of routes 31, 29 and 206 bisect the valley. Nearby are Princeton University, The College of New Jersey, Rider University and Mercer County College. Rutgers University is just 45 minutes away. The conveniences, beauty and historic tradition make this an attractive area in which to reside.

The population of the three communities totaled nearly 16,000 in 1990 and 17,000 in 1994, a growth of over six percent (6%) according to the July, 1997 New Jersey Legislative District Data Book. The schools have reflected this same rate of growth, which is expected to continue. The population is predominately white, with a total minority population of about six percent. Nearly 12% are age 65 and older. About half of the adult population are college graduates and over 85% reside in owner occupied homes. The average residential value is over \$200,000.

The Hopewell Valley Regional School District was established on July 1, 1965. The district consists of five schools: Bear Tavern Elementary School in Hopewell Township with 712 students, Toll Gate Elementary School in Pennington with 405 students, Hopewell Elementary School in Hopewell with 508 students, Timberlane Middle School with 798 and Hopewell Valley Central High School with 859 students. The elementary schools contain grades kindergarten through grade five, the middle school grades six through eight, and grades nine through twelve attend the high school. The total enrollment of the district at the close of the 1997-98 school year was 3,282 students. The district employs approximately 453 full and part time contractual employees.



## **I. BEST PRACTICES**

A very important part of each Local Government Budget Review (LGBR) report is the Best Practices section. During the course of every review, each review team identifies procedures, programs and practices, which are noteworthy and deserving of recognition. Best practices are presented to encourage replication in communities and school districts throughout the state. By implementing these practices, municipalities and school districts can benefit from the LGBR process and possibly save considerable expense on their own.

The Hopewell Valley Regional School District has endeavored to seek out, adopt, and implement programs and activities which would, not only enhance its offerings and services, but would also be cost effective.

Just as we are not able to identify every area of potential cost savings, the review team cannot cite every area of effective effort. The following are those best practices recognized by the team for their cost and/or service delivery effectiveness.

### **Volunteerism**

The district has had significant success in the amount of volunteer service rendered in its schools to assist and work with its staff to help assure students a well rounded educational program and supportive activities. During the 1997-98 school year, substantially more than 6,000 hours of volunteer services were provided for a wide variety of programs and activities, ranging from assisting as chaperones on extended trips to being tutors for students exhibiting a need for such services.

### **Foundations, Grants, PTO Contributions and Community Support**

Each school has an active and very supportive PTO, which provided financial assistance to enable it to meet certain specific needs. This assistance may be in the form of subsidies for some equipment, materials and supplies that staff is unable to get through the regular budgetary process, or to promote a major project such as the Toll Gate Grammar Elementary School playground which cost nearly \$65,000, or money to supplement the cost of various activities to enable all students to participate in spite of personal financial limitations. The Timberlane School PTA budget for 1998-99 alone, for example, is \$19,200 to provide students with activities, assemblies and field trips, teachers with grants for special projects, \$5 per student for school use, equipment for the building and miscellaneous needs.

Over a period of time the individual schools have developed relationships with local businesses which have contributed funds and services to enhance the schools' programs. Demonstrating a belief in the community's students and a firm commitment to supporting the district's educational programs, the most prominent and consistent contributor is the Pennington Market. This business helps by providing employment opportunities for students, aiding students financially so they can participate in some activities, giving money for specific fund raising events, and helping through various other contributions supporting school activities.

There has been considerable support for the Hopewell Valley Foundation over the past four years. There have been career days, community science fairs, an arts festival, and computer contributions, as well as other activities to raise funds to support the foundation. A major pharmaceutical firm made a large donation of furniture. Local universities also assist the district in the area of staff development.

### **Health Benefits Cost Sharing**

The district has had a practice of health benefits cost sharing with its employees for seven years at a rate of five percent of the cost of services requested. Fortune 500 companies have been passing on some of the burden of the costs of health benefits to their employees and most of the public sector employees believe themselves to be immune to these elements of the corporate world. Health benefits costs have been escalating at a higher rate than inflation for the past decade. In order to keep school budgets under control, districts need to use various means such as cost sharing and keeping a vigilant eye upon the marketplace as well as keeping up with realistic deductibles and co-pays. The teachers in this district recognize the costs of these benefits and contribute a portion toward those costs. Recent negotiations resulted in increased contributions and co-pays.

### **Pre-Kindergarten Special Education Class**

The district took various actions in creating a pre-kindergarten special education class and the return of out-of-district placed students resulting in savings of over \$100,000.

### **Spectrum**

The district has implemented a very comprehensive enrichment program called "Spectrum" to enhance the educational offerings in grades two through five. The uniqueness of the program is its three levels (Types I, II and III), which were phased in over a three year period, and in the inclusion of all children. The first level, Type I, involves full class participation in activities such as field trips and lectures. The second, Type II, may be whole class or group activities involving "how-to skills". Type III activities which include approximately 120 children, allows individuals or small groups of students to pursue specific investigative projects in keeping with each student's special interests, creative talents, commitment and abilities. Unlike other "gifted and talented" programs, Spectrum provides enrichment and challenge to all children, rather than a selected few.

The review team had an opportunity to visit a Type III Spectrum fair where students could exhibit and explain their projects. This gave students an opportunity for exposure and recognition for their extra efforts.

In addition to the three levels, Spectrum offers advanced math to high achieving students, some mini courses, enrichment clusters that children can choose, academic choice time and the Junior Great Books Program for grade 3 - 5 advanced readers.

A strength of the program is the volunteers who help run and supervise many of the activities and the some 67 mentors who work with and advise children with specialty areas and projects. This is quite cost effective for it allows for expansion of the program, inclusion of activities that

could not be provided without the expertise and talents of the mentors and volunteers, and the fact that additional staff do not have to be employed to provide the Spectrum program.

### **Rental of Space**

The district generates income by rental of space to two after school and pre-school care programs. Some \$18,600 is raised from the two programs, which provide a service to parents of the community. An additional \$4,375 is earned from the rental of gymnasium space in the administration building (formerly a school) to the YMCA for its activities and programs.

### **Communications**

The district and individual schools provide each student with handbooks that provide significant information about rules and procedures, behavior and attendance policies, grading procedures and reporting dates, curricular and extracurricular offerings, services and staff directories and calendars of school dates and events. This provides not only pertinent information but a ready reference in each home to what parents and students need to know. It also avoids the need for many phone calls and miscommunication because someone “didn’t know”.

## **II. OPPORTUNITIES FOR CHANGE/FINDINGS AND RECOMMENDATIONS**

The purpose of this section of the report is to identify opportunities for change and to make recommendations that will result in more efficient operations and financial savings to the school district and its taxpayers.

In its study, the review team found that the district makes a conscious effort to control costs and to explore areas of cost saving efficiencies in its operations. Some of these are identified in the Best Practices section of this report. Others will be noted as appropriate in the findings to follow. The district is to be commended for its efforts. The review team did find areas where additional savings could be generated and has made recommendations for change that will result in reduced cost or increased revenue.

Where possible, a dollar value has been assigned to each recommendation to provide a measure of importance or magnitude of cost savings. The time it will take to implement each recommendation will vary. It is not possible to expect the total projected savings to be achieved in a short period of time. Nevertheless, the total savings and revenue enhancements should be viewed as an attainable goal. The impact will be reflected in the immediate budget, future budgets, and the tax rate(s). Some recommendations may be subject to collective bargaining considerations and, therefore, may not be implemented until the next round of negotiations. The total savings will lead to a reduction in tax rates resulting from improvements in budgeting, cash management, cost control and revenue enhancement.

While it is noted that the team received full cooperation and was positively received by the school personnel, board of education and community, it must also be noted that in the examination of district files and documents, much of the material requested was either missing, incomplete, outdated, difficult to locate, or not available at all. Record keeping and organization of files are major weaknesses and need to be addressed by the district. Use of technology, particularly of that already available in the district, is also inadequate and must be addressed as well.

### **COMPARATIVE ANALYSES**

Many of the recommendations are made based upon comparative analyses using New Jersey Department of Education data in comparison with districts of similar size, configuration and demographics. Comparisons of this nature are valuable for the purposes of this report. The Department of Education (DOE) does not intend these to be used by the district to gauge adequacy or efficiency. Other data sources are used such as various state agencies, state education associations, publications and private industry. School districts used for comparison with Hopewell Valley Regional include Princeton, Lawrence, Montville and Moorestown, and kindergarten to grade 12 districts in the state with enrollments between 1,801 and 3,500 students (71 School districts). The charts that follow illustrate much of the data used.

A comprehensive examination of the comparative data reveals various areas of highs and lows in costs when compared with other districts. A key feature of the first chart, which compares revenues and expenditures based upon the districts' audits and Comprehensive Annual Financial Report (CAFR), is the comparison of data from other districts extrapolated to Hopewell Valley Regional's (HVR) enrollments. This reflects what costs would be if all had the same number of students.

A quick review of these figures at HVR's enrollments (bold face type) shows that, overall, Hopewell Valley spends less per pupil than do the other districts in most large summary categories. Though less than one million dollars separates HVR in total instructional costs from the districts of Lawrence, Montville and Moorestown, Hopewell Valley spends nearly \$3.4 million less than Princeton. Only the district of Moorestown spends less for total administrative costs. Hopewell Valley also spends the least for pupil support services. The total cost per student in Hopewell Valley Regional was \$8,956 in 1996-97 as compared with a high in this grouping of districts in Princeton of \$11,293. Lawrence spent \$9,012 per pupil, Moorestown spent \$9,338 and Montville \$9,370 per pupil.

In the New Jersey Department of Education's Comparative Spending Guide (March, 1998 edition) Hopewell Valley is compared with 75 districts with a K-12 configuration with enrollments between 1,801 and 3,500 students. These districts are ranked in per pupil costs from low cost (#1) to high cost (#75). A ranking of above 38 would reflect a higher cost than the midpoint and a ranking of lower than 37 would reflect costs below the midpoint of the 75 districts. An examination of the second chart reflects HVR's standing when compared with the 75 like enrollment / grade configuration districts.

Hopewell Valley Regional ranks from a low of 15<sup>th</sup> in general supplies/texts and in median teacher salary to a high of 61<sup>st</sup> in purchased services in the categories selected for the chart. Areas of administrative and operations/maintenance costs are shown to be slightly higher in rank than the state midpoint, while most other areas are slightly below the midpoint in costs rankings. In the total cost per pupil indicator (this excludes costs that are not common to all districts, such as facilities acquisition and construction services), HVR 1997-1998 budgeted cost was \$7,578 per pupil, ranking 32<sup>nd</sup>. Princeton was high in the comparable districts at \$10,580 per pupil, ranking 70<sup>th</sup>. Moorestown budgeted \$7,615, ranking 34<sup>th</sup> while Lawrence budgeted \$7,866 and Montville budgeted \$7,811, ranking 40<sup>th</sup> in per pupil spending.

In the vital statistics section of the Department of Education Spending Guide, it is noted that Hopewell Valley received 7% of its revenue from the state, 88% from local taxes, 1% from federal funds, 2% from use of fund balance and 2% from other sources.

The third chart in this comparative series compares district demographic data with the selected comparable districts. A view of this chart illustrates the districts are alike in many aspects. Differences are reflected in number of employees and in faculty/student ratio. The number of students per employee ranges from a low of 6.8:1 in Princeton to a high of 8.2:1 in Montville. HVR has a ratio of 7.3:1 students to employee. Faculty to student ratio reflect comparable ranges with HVR being on the low side with generally fewer students per faculty. The state

average faculty/student ratios according to the state report card data are 1:14.2 for elementary and middle schools and 1:11.7 for high schools.

**Comparison of Revenues and Expenditures**  
**Based on Audit Report as of June 30, 1997 (Comprehensive Annual Financial Report)**

<b>Revenues</b>	<b>Hopewell</b>		<b>Princeton</b>		<b>Lawrence</b>		<b>Montville</b>		<b>Moorestown</b>	
Local Tax Levy	25,804,076	84.7%	28,474,551	81.2%	29,595,221	78.8%	26,476,314	85.2%	24,506,266	80.2%
State Aid	3,304,976	10.9%	4,472,216	12.7%	5,379,818	14.3%	3,418,578	11.0%	3,493,052	11.4%
Federal Aid	240,392	0.8%	455,378	1.3%	504,355	1.3%	211,072	0.7%	532,150	1.7%
Other	1,106,254	3.6%	1,680,816	4.8%	2,060,080	5.5%	984,853	3.2%	2,028,123	6.6%
<b>Total Rev. (All Funds)</b>	<b>30,455,698</b>		<b>35,082,961</b>		<b>37,539,474</b>		<b>31,090,817</b>		<b>30,559,591</b>	
Regular Program - Inst.	10,986,867	40.1%	12,202,854	36.2%	12,141,920	34.9%	11,292,122	39.6%	10,237,806	36.9%
Special Education	1,166,586	4.3%	1,829,124	5.4%	2,366,781	6.8%	1,307,793	4.6%	1,885,600	6.8%
Basic Skills-Remedial	201,240	0.7%	425,774	1.3%	881,793	2.5%	203,934	0.7%	297,924	1.1%
Bilingual Education	12,920	0.0%	647,861	1.9%	282,378	0.8%	98,644	0.3%	38,023	0.1%
Sponsored Cocurr. Activit.	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Sponsored Athletics	100,506	0.4%	45,971	0.1%	142,364	0.4%	147,851	0.5%	145,466	0.5%
Other Instruction Program	325,778	1.2%	495,555	1.5%	366,908	1.1%	433,476	1.5%	452,850	1.6%
Other Instruction Program	-	0.0%	128,976	0.4%	-	0.0%	-	0.0%	-	0.0%
Community Services Prog.	-	0.0%	-	0.0%	8,085	0.0%	-	0.0%	-	0.0%
<b>Total Instructional Cost</b>	<b>12,793,897</b>	<b>46.7%</b>	<b>15,776,115</b>	<b>46.8%</b>	<b>16,190,229</b>	<b>46.5%</b>	<b>13,483,820</b>	<b>47.3%</b>	<b>13,057,669</b>	<b>47.1%</b>
Undistributed Exp. - Ins.	963,660	3.5%	1,360,216	4.0%	1,728,177	5.0%	910,336	3.2%	1,312,564	4.7%
Total Instr. \$\$	12,793,897		15,776,115		16,190,229		13,483,820		13,057,669	
<b>At Hopewell's enroll.*</b>	<b>12,793,897</b>		<b>16,161,800</b>		<b>12,830,547</b>		<b>13,554,718</b>		<b>13,448,959</b>	
General Administration	576,385	2.1%	672,731	2.0%	1,021,030	2.9%	701,874	2.5%	426,338	1.5%
School Administration	1,216,527	4.4%	1,325,764	3.9%	1,607,952	4.6%	1,223,470	4.3%	1,107,337	4.0%
<b>Total Administration Cost</b>	<b>1,792,912</b>	<b>6.5%</b>	<b>1,998,495</b>	<b>5.9%</b>	<b>2,628,982</b>	<b>7.6%</b>	<b>1,925,344</b>	<b>6.8%</b>	<b>1,533,675</b>	<b>5.5%</b>
Total Administration \$\$	1,792,912		1,998,495		2,628,982		1,925,344		1,533,675	
<b>At Hopewell/s enroll.*</b>	<b>1,792,912</b>		<b>2,047,353</b>		<b>2,083,434</b>		<b>1,935,467</b>		<b>1,579,634</b>	
Food Service	12,000	0.0%	138,495	0.4%	120,267	0.3%	-	0.0%	-	0.0%
Health Service	308,785	1.1%	263,756	0.8%	477,414	1.4%	354,286	1.2%	286,185	1.0%
Attend.& Soc. Work Serv.	-	0.0%	27,868	0.1%	45,625	0.1%	-	0.0%	-	0.0%
Other Support Service	1,567,132	5.7%	1,712,040	5.1%	1,690,619	4.9%	1,274,021	4.5%	1,451,718	5.2%
Other - Imp. of Inst. Sev.	600,241	2.2%	672,587	2.0%	693,521	2.0%	561,324	2.0%	559,461	2.0%
Media Serv./Sch. Library	-	0.0%	622,572	1.8%	549,573	1.6%	423,941	1.5%	508,028	1.8%
Operation of Plant	2,531,615	9.2%	3,138,054	9.3%	3,068,727	8.8%	2,643,302	9.3%	2,215,421	8.0%
Business & Other Sup.Ser.	2,899,736	10.6%	3,877,669	11.5%	4,026,621	11.6%	3,079,624	10.8%	3,388,773	12.2%
<b>Total Support Services</b>	<b>7,919,509</b>	<b>28.9%</b>	<b>10,453,041</b>	<b>31.0%</b>	<b>10,672,367</b>	<b>30.7%</b>	<b>8,336,498</b>	<b>29.2%</b>	<b>8,409,586</b>	<b>30.3%</b>
Total Support \$\$	7,919,509		10,453,041		10,672,367		8,336,498		8,409,586	
<b>At Hopewell's enroll.*</b>	<b>7,919,509</b>		<b>10,708,591</b>		<b>8,457,713</b>		<b>8,380,331</b>		<b>8,661,590</b>	
TPAF Pension	393,758		512,384		545,921		460,103		416,515	
Reimb. TPAF SS Contrib.	968,774		1,193,881		1,325,490		1,083,792		980,854	
Transportation	1,869,777	6.8%	1,154,792	3.4%	1,693,733	4.9%	1,573,134	5.5%	977,965	3.5%
Capital Outlay	631,384	2.3%	1,272,086	3.8%	-	0.0%	739,395	2.6%	970,542	3.5%
Special Schools	62,529	0.2%	-	0.0%	-	0.0%	-	0.0%	74,039	0.3%
<b>Total Gen. Fund Expend.</b>	<b>27,396,200</b>		<b>33,721,010</b>		<b>34,784,899</b>		<b>28,512,422</b>		<b>27,733,409</b>	
<b># of Students – June 30, 1997</b>	<b>3,059</b>		<b>2,986</b>		<b>3,860</b>		<b>3,043</b>		<b>2,970</b>	
<b>Per Student Rates</b>										
Inst.Cost Per Student	4,182		5,283		4,194		4,431		4,397	
Admin. Cost Per Student	586		669		681		633		516	

Supp.Serv. Cost Per Student	2,589	3,501	2,765	2,740	2,832
Total G.Fund Cost Per Stud.	8,956	11,293	9,012	9,370	9,338

**Source: School district's 1996-7 CAFR**

\* At Hopewell's Enrollment means taking total costs of category divided by the # of students for that school times Hopewell's Enrollment to arrive at an equalized expense level.

**COMPARATIVE SPENDING GUIDE DATA 1994 - 1998**

**Ranked Low Cost to High Cost**

	1994-95		1995-96		1996-97		1997-98	
	Actual	Ranking	Actual	Ranking	Budget	Ranking	Budget	Ranking
Cost Per Pupil	\$7,040	27	\$7,265	30	\$7,248	27	\$7,578	32
Classroom Instruction	\$4,167	25	\$4,330	24	\$4,474	25	\$4,547	26
Classroom Salaries & Benefits	\$3,977	24	\$4,121	24	\$4,225	26	\$4,304	26
General Supplies & Textbook	\$175	44	\$152	29	\$168	34	\$153	15
Purchased Services & Other	\$15	14	\$57	46	\$81	57	\$90	61
Support Services	\$661	30	\$695	33	\$672	24	\$826	24
Support Serv. Salaries & Benefits	\$579	23	\$611	27	\$586	22	\$701	21
Total Administrative Cost	\$1,133	47	\$1,204	65	\$1,071	47	\$1,059	46
Salaries & Benefits for Admin.	\$922	50	\$932	55	\$848	37	\$874	43
Operations & Maint.	\$854	26	\$822	24	\$869	37	\$954	41
Sal. & Benefits for Operat./Maint.	\$444	28	\$447	30	\$457	36	\$489	39
Food Service	\$14	15	\$5	12	\$4	7	\$ -	-
Extracurricular Cost	\$167	23	\$163	24	\$149	14	\$179	25
Median Teacher Salary			\$46,900	26	\$50,300	33	\$45,000	15
Median Support Service Salary			\$54,645	43	\$55,530	41	\$56,800	48
Median Administrator Salary			\$76,200	25	\$80,760	34	\$83,782	35

**Ranked High Ratio to Low**

Student/Administrator Ratio	159.8:1	28	165:1	27	166.6:1	30
Faculty/Administrator Ratio	13:1	28	13.1:1	30	13.7:1	29

Source -1998 N.J.D.O.E. Comparative Spending Guide

**School Data Comparison**

**Based on Audit Report and Report Cards**

**As of June 30, 1997**

<u>Description</u>	<b>Hopewell</b>	<b>Princeton</b>	<b>Lawrence</b>	<b>Montville</b>	<b>Morrestown</b>
County	Mercer	Mercer	Mercer	Morris	Burlington
District Type	II	II	II	II	II
Grades	K-12	K-12	K-12	K-12	K-12
District Factor Group	I	I	I	I	I
Cert Employees	237	260.6	360	309	255
Other Employees	182	173	174	60	138
Total Employees	419	433.6	534	369	393
Square Miles	60	28	21.9	18.85	111.7
Number of Schools					
Elementary	3	4	4	5	3
Middle	1	1	1	1	1
High School	1	1	1	1	1
Intermediate	0	0	1	0	0
Total Schools	5	6	7	7	5
Student Enroll. (96-97)*	3,059	2,988	3,860	3,043	2,970



Teacher/Student Ratio					
Elementary	1:16.8	1:14	1:20.4	1:18	1:15.8
Middle School	1:13.4	1:12	1:23.7	1:12	1:14.7
High School	1:11	1:13	1:20.7	1:16	1:13
Intermediate	N/A	N/A	1:24.8	N/A	N/A
*C.A.F.R. Miscellaneous Statistics June 30, 1997 if mandated					

## **ORGANIZATION/ADMINISTRATION**

The district is governed by an elected nine-member board of education. Its primary functions are to operate as a policy making body, to oversee the fiduciary operations of the district and to carry out those functions as prescribed in Title 18A. Contracted support services of an auditor, attorney, and treasurer of school moneys provide resources and independent assistance to the Board.

The administrative organization of the district consists of a central office under the direction of the Superintendent of Schools. During the term of the LGBR review, the district operated under an acting superintendent, the assistant superintendent for curriculum and instruction, following the recent resignation of the superintendent. The job responsibilities of the assistant's office were distributed to others on an interim basis until the position of superintendent is permanently filled. This arrangement met the district's short-term operational needs very adequately under capable leadership and board / staff cooperation and support. It did, however, leave a minor void in the review process when there was need for information that would only be known by the Superintendent.

The circumstances of the Superintendent leaving the district were under investigation at the time of this review and, thus will not be part of this report.

Organizationally, also serving in the central office is the Business Administrator/Board Secretary, Assistant Superintendent for Curriculum and Instruction, and Director of Pupil Services, along with their support staffs. An analysis of these offices is contained in sections of the report to follow.

Additionally, there is a Director of Maintenance/Transportation. The district has saved considerably by combining the functions of these two operations under one director and office.

The district consists of five schools, Central High School, Timberlane Middle School, Bear Tavern Elementary School, Toll Gate Elementary School and Hopewell Elementary School. A principal and two assistant principals administer the high school. The middle school has a principal and two assistant principals. Bear Tavern has a principal and assistant principal while Hopewell Elementary utilizes two teachers with reduced teaching schedules to provide assistance to its principal. Toll Gate has a principal with no assistants. Department chairs and team leaders who have reduced instructional responsibilities assist the high school and middle school principals.

The student/administrator ratios for the districts schools were impacted somewhat by the shift of the sixth grade classes from the elementary schools up to the middle school. Only the middle school reflects a relatively low student/administrator ratio when compared with state averages. This may not justify the addition of the team leader positions in the middle school. Ratios of students to administrators for the district's schools are as follows:

### **Student/Administrator Ratios**

<b>School</b>	<b>1996-1997</b>	<b>96-97 State Ave.</b>	<b>1997-1998</b>
Hopewell Elementary	518:1	329:1	508:1
Bear Tavern	785:2 (392:1)	329:1	712:2 (356:1)
Toll Gate	477:1	329:1	405:1
Timberlane Middle	485:2 (242:1)	321:1	798:3 (266:1)
Central High	789:3 (263:1)	176:1	859:3 (286:1)

#### **Recommendation:**

**Overall, the district is appropriately staffed administratively. There is need, however for some fine-tuning and realignment of staff responsibilities among the existing administrative staff.**

### **GENERAL SCHOOL DATA/COMPARISONS**

In reviewing the 1995-96 and 1996-97 New Jersey School Report Card data, district documents and various other information, the following provides additional schools and district demographic and comparative profile information:

#### Hopewell Valley Central High School

- Student enrollment increased from 758 in September, 1995 to 798 in September, 1996. The enrollment as of March, 1998 of 861 indicates that the student population continues to grow.
- Only 1 % of the student body has limited English proficiency;
- Even with its growth, the class size has dropped from 20 to 19 students. This is below the state average of 21 students per class;
- The student mobility rate is 2.4 % which is well below the state average;
- The student/administrator ratio is 286:1 compared to the state average of 176:1.
- The school's guidance staff consists of three guidance counselors, one guidance/learning resource person and an assistant counselor plus two secretaries which is appropriate for the enrollment;
- The length of the school day at seven hours is 27 minutes above the state average, however, the actual instructional time of five hours and 36 minutes is only eight minutes above the state average. It was noted during the on site visits that the additional time during the pupil

day was utilized in a productive manner to help students interact and resolve issues as they prepare for the instructional day;

- The High School Proficiency Test (HSPT) results declined in reading from 96.7% to 95.9%. Math, writing and overall scores increased and were well above state standards and averages. 97% of all graduates passed the HSPT and 3% passed via the SRA process;
- A high percentage of the graduates, 86%, go on to higher education;
- Support services are appropriate for a school of this size and they include a nurse, a person for speech, media specialist (librarian), district media supervisor and an athletic trainer;
- Nearly two-thirds of the high school student population participates in an extensive extracurricular program consisting of 26 non-athletic programs in addition to the athletic offerings. Students at one time paid a one time \$50 fee to participate in sports but this was dropped for the 1998-99 school year.

#### Timberlane Middle School

- A building reorganization plan took place for 1997-98 with the completion of major renovation and construction by adding the sixth grades to the building;
- Class size is an average of 24 students, two above the state average;
- As with the high school, the mobility rate for students is low;
- The length of day is the same as the high schools;
- The school ranked third in Mercer County in the State's Early Warning Test with scores considerably higher than state averages;
- The school has a total of 180 PC and 40 Macintosh computers, including a computer in every classroom, 11 in the media center, two rooms (labs) with 30 PCs each and those for office and administrative functions;
- Support staff include three guidance counselors, a speech/language specialist, a nurse and nine teacher assistants;
- The school is administered by a principal, two assistant principals and eight "Team Leaders," who are full time teachers with a reduced teaching schedule;
- There is full range of extracurricular programs including athletic and non-athletic activities with the majority of students involved;
- The school is experiencing growing pains and various problems relative to the new construction, expansion and reorganization.

#### Elementary Schools

- The district operates three elementary schools. The move of the sixth grades to the middle school along with some renovation and expansion of the schools provide adequate space for the students, with the exception of Bear Tavern, School which is overcrowded and utilizes module classrooms adjacent to the building. Each of the schools will experience additional growth over the next several years due to community development;
- Bear Tavern's class size is at 24 students, two above state average. Their core facilities, i.e., lunchroom/all purpose room, library, etc. are stretched to the maximum;
- The instructional time in the three schools is equivalent to state averages;
- Each school participates in a district enrichment program called Spectrum;
- Each school has a nurse and a media specialist;
- Each school employs teacher assistants to assist in various capacities and programs;
- Each school has strong and active parent organizations who volunteer, raise funds and contribute heavily to the school in finances and material items.

## **BOARD MEMBER RELATIONS**

Board member relations were somewhat strained during the reorganization process and adjustment following the April elections. Differences and positions were aired in the press with some members expressing their personal views as members of or representing the board. The results were divisive and non-productive.

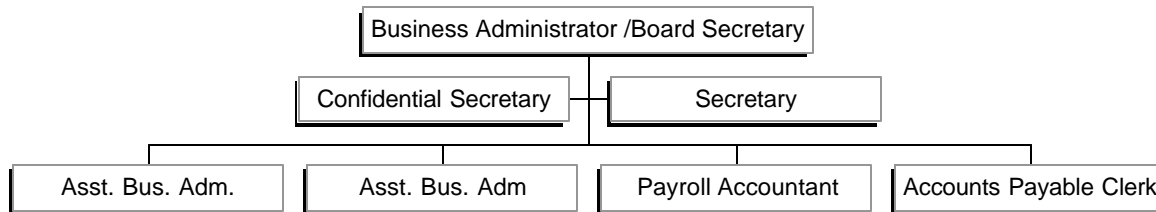
### **Recommendation:**

**It is recommended that the district seek the assistance of the New Jersey School Boards' Association, (NJSBA) to provide in-service training and to assist the board members in understanding the function of the board and their roles as board members.**

## **BUSINESS OFFICE**

The business office staff consists of seven employees; a business administrator/board secretary, two assistant business administrators, (one full time and one 3/5 time, who was on leave at the time of this review), an accountant, accounts payable clerk and two secretaries. The following chart illustrates the office organization;

#### HVRSD Business Office



The team review focused upon all responsibilities of the business office including the interaction between the office and other departments. We based our evaluation upon interviews and documentation provided by the district. The team believes that the district would benefit from a workflow and procedure analysis of this office.

#### **Business Administrator/Board Secretary and Assistant Business Administrators**

The business administrator/board secretary (BA) is responsible for day to day business operations of the district and supporting the school board. Concern was expressed to the team regarding the accessibility and responsibilities of the BA. It appeared to district employees that the BA spends a large portion of his time supporting board members rather than the day to day operations of the district. We feel this situation contributes to the continued employment of two assistant business administrators, (both are) certified public accountants, at a cost of \$ 102,492 to the district.

Within the last seven years, the district has bonded for maintenance improvements and school upgrades. The responsibilities of managing 36.5 million dollars in bonds and the associated project management could arguably justify the need for two business administrators. However, since the modifications are just about complete, the team questions the continued employment of two assistant business administrators.

#### **Recommendation:**

**The LGBR unit has reviewed a number of school districts that have the same characteristics as HVRSD, such as student population and budget size. In those reviews, we found the business administrator performing the same responsibilities as the Hopewell BA/BS without an assistant or with the aid of one assistant. It is, therefore, recommended that the district eliminate the part-time assistant business administrator position for a cost savings of \$34,000.**

**Cost Savings: \$34,000**

#### **Office Policy and Procedural Manuals**

To minimize the uncertainty of transition when personnel changes occur, and to provide clarification for employees seeking information about specific operations, a district policy and procedure manual should be written. Policies and procedures should be reviewed and updated periodically. At present, the business office does not have a written policy and procedure manual for any of the operations in the business office.

#### **Recommendation:**

**LGBR cannot underscore the importance of written procedures in the business office particularly given the findings in the next section. It is, therefore, recommended that each individual in the business office develop and write procedure manuals for his/her respective position. Upon completion, the manuals should be reviewed by the business administrator and presented to the board for formal approval.**

### **Job Responsibilities**

The team carefully reviewed job responsibilities in the business office. We found a complete lack of cross training and versatility among the staff. The team was able to determine that each responsibility could only be performed by the position with the district individual assigned to the task. This places the district in a precarious situation whenever employees terminate their positions. Without the specific manuals and procedures in place, the district jeopardizes business operations. In addition, employees of the business office, including the business administrator, indicated that they could not perform other responsibilities within the office. An example of this problem is that the payroll accountant cannot take more than a one week of vacation because no one else knows how to perform payroll.

### **Recommendation:**

**In addition to the development of procedure manuals, the team recommends that the district set, as a priority, the cross training of employees in the business office. The business administrator should also participate so that he fully understands the functions and process of each position and can perform them as needed and train replacements.**

## **PURCHASING**

HVRSD uses a manual purchasing process. Purchase orders (PO) are typed by a designated person in each school or department. Once approved by the principal or department head, they are forwarded to the business office for processing. The POs are then entered into the business office software package and, once approved by the business administrator and superintendent, are forwarded to the vendor. When the school receives the shipment, the paperwork is forwarded to the business office for final processing and payment. Once the board approves the bill list, a check is mailed to the vendor. In all, we identified up to twenty steps (depending upon complexity and problems) to the process.

The schools also expressed concerns dealing with the processing time of a purchase order and provided evidence that purchase orders were taking up to four months to complete. The team further substantiated this issue when we reviewed purchase orders in the business office and found open purchase orders going as far back as 1996. One of the problems was the business office procedure for handling purchase orders. Briefly, when the business office secretary received a purchase order, she would separate the NCR form, file the business office copy in an open purchase order filing cabinet and enter the PO into the computer. The form would then be given to the accounts payable clerk for account balance verification in the computer, who then forwarded it to the BA and superintendent for signatures. Once the school receives its order, the invoice is forwarded to the business office secretary, who combines it with her copy before sending it to accounts payable for processing.

A delay occurs when the school sends in a voucher for an expense where there would not be an invoice forthcoming, such as the reimbursement of a teacher for an expense incurred. In this case, the secretary files the PO in the open purchase order file, but since no invoice is forthcoming, the purchase order stays in the open PO file until the business office starts receiving complaints from the school. When we inquired as to the open purchase orders since 1996, the business office could not give us a reasonable answer. The team found correspondence from one vendor requesting meetings with the BA in an effort to resolve the problem. We could find no such correspondence on behalf of the business office.

### **Recommendation:**

**The district needs to improve the purchase order process. While the team was informed that the open purchase order responsibility will be transferred to the accounts payable clerk, the open purchase orders dating as far back as 1996 need to be addressed before they become an expensive litigation problem. It is, therefore, recommended that the business office, with the participation of individuals involved with the purchasing process, evaluate the purchasing process for improvement and resolve open purchase orders dating from 1996 through 1997.**

HVRSD does not use pre-numbered purchase orders. The business office usually assigns a PO number once it receives the form. However, the office will, on occasion, issue a number to the school for emergency purchasing. As the team witnessed, this creates a problem when the business office receives an invoice for a delivery but has no purchase order on file. In addition, the use of blank purchase orders exposes the district to unnecessary risk. The team received numerous concerns from staff and community members concerning the use of non-numbered purchase orders. Prior Department of Education audits and monitoring directed pre-numbered PO's but these recommendations were ignored.

The business office software package includes an electronic purchase order module which all schools and departments (except transportation and maintenance) can access via the district's network. The module would eliminate the cumbersome task of having a PO typed at the department and then typed again into the business office package. It would also eliminate the open purchase order filing system now in use, allow the business office to reassign tasks to the secretarial staff and alleviate the general concern of using non-number purchase orders. The module contains a multi-tiered security system, which would permit electronic signatures before an actual PO could be generated. The system also keeps the user apprised of open purchase orders by length of time.



**Recommendation:**

The paper purchase order process now utilized by the district is inefficient, especially since the district has already paid for an electronic purchase order program. By utilizing the purchase order module, the district would realize a savings through a productivity enhancement by eliminating the redundancy of having a PO typed in the field and then re-typed into the purchase order system by the business department. It is, therefore, recommended that the district begin implementation of the electronic purchase order module for an efficiency and productivity savings. A feature of the program **MUST BE** one that pre-numbers purchase orders.

**Productivity Enhancement: \$9,466**

The team also recommends that the district require the software vendor to provide training to all employees involved in the purchase order process. In addition, the district should request procedural manuals from the vendor.

One of the largest complaints the team fielded related to the methods by which schools monitor and track spending of their accounts. The complaints focused on the monthly activity reports generated by the business office and transfers occurring without the knowledge of the schools. These reports list the account numbers, balances, and open purchase orders. When the school receives its report, it is compared to the school's filing system to verify balances and identify transfers.

Each school expressed concern about the inconsistent frequency of the report, not the method by which they track school accounts. They need the reports to monitor account activity and identify balances for future purchase orders. The team identified four different methods of accounting for school accounts. For example, the high school department heads use spreadsheets to monitor their accounts, while the principal of Tollgate keeps a series of ledgers in a plastic tote container in his office. The team found the entire process inefficient, especially since all the schools have access to the business office software package through the district network. Access to the business package allows the schools immediate and current account balances. Of all the schools, only Bear Tavern tracked their accounts through the network. The team found that the schools did not use the business package because they did not understand what controlled account numbers mean.

**Recommendation:**

Maintaining a manual set of books when an account balance can be found on the network is inefficient. Because of the various levels of staff involved in tracking school accounts, the team was unable to identify the productivity savings. Training on the business software package, coupled with onsite printing, will reduce the overall time spent on tracking school funds. It is, therefore, recommended that the business office stop generating the monthly reports. Instead, the BA should provide training to the appropriate staff in accessing and interpreting controlled account numbers as used by the district.

## **CREDIT CARDS**

It appears the district has one office supply credit card which is supposed to be under the control of the business office, but useable by all schools. The team feels credit cards present the opportunity for a district to incur debt independent of the purchasing process and without the approval of the board. As reported by the district, the credit card allows the district to purchase supplies even though all five schools and several departments have their own petty cash accounts and access to a school supply vendor. The team was told that petty cash accounts did not necessarily provide the required funds since there was a purchase limit of \$150 dollars.

The team asked for billing statements for the 1997-98 school year, however, the business office could not produce the documents. Furthermore, we were told that some of the schools opened their own accounts which could result in the business office paying on the wrong accounts. In addition, the nature of payment authorization in school districts does not usually provide payment in full within the 28 day interest free billing cycle. The team was told that the credit card has a zero interest rate, but without the billing statements, we could not confirm this.

### **Recommendation:**

**In prior years, the \$300 petty cash account may have justified the need for the credit card. However, in light of the October 1998 directive from the Department of Education prohibiting the use of credit cards by school districts, this practice should be discontinued. It is, therefore, recommended that the district terminate the credit card account. Further, individual purchases exceeding \$150 should go through the purchasing process.**

## **BUSINESS OFFICE SOFTWARE PACKAGE**

The district has used the current software package since 1992. While the team does not evaluate the numerous business software packages available on the market, we do focus on the district's utilization of the software to its full capacity and the support provided by the manufacturer. We felt the team should comment on the package because of our experiences and findings in the district.

When we first arrived in the district, the team requested documents relating to what we felt were daily operations, such as expenditure reports for controlled account numbers. When the team requested a board expense report, the resulting printout was extremely difficult to interpret because the expenditure column was full of multiple entries for a single event. When we explained what we were looking for, the business office was not sure how to run the report and stated they would have to contact the consultant for help. We also contacted the software manufacturer several times for information regarding the software package. The consultant graciously agreed to send information to the district, however, the district informed the team that the material was never received. Further calls to the vendor were not returned. As a result, we asked to see the manuals for the program and, after a prolonged search, they were found. The manuals were outdated and not user friendly. The district also reported that they are not notified when updates occur, nor are they supplied with updates.

We also asked the district to generate an overtime report by department and district employee. In order to generate the information, the district had to contact the software vendor who would generate the report for them. This was also the case when we asked for sick time reports and payroll information. We found the district frequently calls the vendor for business reports. The team felt that the constant calling of the consultant has created a dependency on the software company by the district when, in fact, most business software packages on the market require little technical support and, at the least, include user friendly report writers.

We finally gained a better understanding by contacting another school district that uses the software. Through them, we found that the business software package can perform contracts, employee attendance on the school level, assist personnel recruitment and that any software modifications made at the request of any school district is made available to all districts without additional charge. We found several components that would create productivity enhancements (see personnel and benefit sections). Finally, the software manufacturer does not provide user updates or user meetings.

### **Recommendation:**

**While the district generally likes the business package, it was apparent that the district lacks a general knowledge of the full potential of the software package. Given that the district pays an annual support fee of \$10,400 dollars for the package, the team feels that the district could make better use by having the manufacturer train the business office staff and superintendent on the full capabilities of the package. It is, therefore, recommended that the district contact the software manufacturer and request training on the various usages of the software package.**

**In addition, the team recommends that the district call upon the manufacturer to establish user group meetings and provide documentation for all upgrades requested by other school districts on a regular basis.**

**As an alternative recommendation, given the age of the current software package, the district may want to consider bringing in other software manufacturing companies to perform a software analysis as a comparative measurement to the service and system features the district receives from the current vendor. The team feels this recommendation is warranted, given the age of the software and the lack of technical support presently provided.**

### **BIDDING AND CONTRACTS**

The method of purchasing materials and services in a school district is dictated by statute. Our review of the district found that Hopewell purchases most of their paper and school supplies through the bidding process. The district also purchases custodial supplies through Hunterdon County Educational Services Commission. All other purchasing is under state contract.

New Jersey Administrative Code: Title 40 and N.J.S.A.18A-11 and N.J.A.C.5:34-7.1 allow the establishment of cooperative purchasing groups between schools and/or municipalities. One

such group is the West/Central Cooperative, who designated the Lawrenceville Board of Education as lead agency, and includes several nearby school districts. Cooperative purchasing has saved money in a number of areas. On average, the cooperative group has purchased items up to 50-54% below state contract prices.

**Recommendation:**

**The West/Central Cooperative has over 187 school districts participating in the program. Combined purchasing power almost always results in greater savings. Therefore, it is recommended that Hopewell compare the results of future bidding to the prices of the cooperative and participate, should the prices warrant.**

**If the district opts to participate in the cooperative, it should negotiate a shared services agreement with the local municipalities allowing access to the cooperative through the school district.**

The team also requested documentation for the district's fuel and gas purchasing. The business office purchases automobile fuel through the bidding process. A local vendor currently is the supplier at a cost of .61 a gallon. When asked for the RFP and subsequent bidding contract, neither the business office nor the transportation and maintenance department could produce the documents. While not responsible for maintaining a contract and bid file, the transportation and maintenance department contacted the vendor for a copy of the contract, who was also unable to produce a contract.

**Recommendation:**

**The fuel contract defines the rate at which the district pays for automobile fuel. Without the contract, the district becomes susceptible to potential problems. It is, therefore, recommended that the district immediately issue an RFP for automobile fuel. When the bids are received, the district should compare the cost of fuel to the Hunterdon Educational Services Commission, which currently purchases fuel at a marginal rate of .0798 over the Journal of Commerce Rate.**

Natural gas has two main suppliers, a transporter or marketer and a supply company. The transporter or marketer supplies the gas to the local supply company. At present, the district uses the local supply company as both the marketer and the supplier. Union County Educational Services, which uses the same marketer as Hopewell's gas company, negotiated a deal that saves approximately 15-18% of the participating schools' total heating bill. While the district should evaluate bidding the marketer component of its gas supply, careful attention should be paid to hidden costs as their local supply company charges exit and standby fees for not using them as a marketer.

**Recommendation:**

**In general, when school districts purchase gas through an educational service commission or consortium they are saving money. It is, therefore, recommended that the district bid for the service of a marketer. The team feels the district could save approximately 10% on the service, which translates into a \$ 16,391 dollar savings.**

**Cost Savings: \$16,391**

A review of the bills indicates the district pays varying rates for the gas service. For example, the gas supplier bills Timberlane, which has two gas mains, as a “general service commercial account” and “multiple family account”, Tollgate as a “multiple family dwelling” and the board of education building as “commercial heat”. While classification of buildings is defined by tariffs, the gas supply company felt the billing service to all schools should be “multiple family service” and could not explain why there were two different billing classifications for Timberlane.

Another concern the team had deals with the timeliness of payment of utility bills. A review of the heating gas and electric bills found the district rarely pays within the normal time period. As a result, the district constantly receives shut off notices from the gas company and had to issue PSE&G a \$ 23,000 hand drawn check in June 1998 for the electric bill. The team found late payment fees totaling \$112 dollars for their gas service.

**Recommendation:**

**It is recommended that the district contact the gas supplier to determine the correct billing classification for each facility. In addition, the district needs to eliminate late charges by promptly paying its heating bills. The issuance of hand drawn checks is a poor practice and should be eliminated altogether, except in true emergencies.**

**PAYROLL**

Payroll functions are handled by the confidential secretary to the business administrator and by the payroll accountant. The business package includes a payroll module, which the district utilizes. Checks are printed in-house. Vacation, sick and personnel days are manually recorded on logs in each of the facilities. At the conclusion of the payroll cycle, the logs are sent to the BA’s confidential secretary who enters the records into the payroll system. Once completed, the payroll accountant processes the payroll and prints the checks for distribution.

One of the components of the business software package includes an absenteeism module. This module allows the direct entry of personnel time into the payroll system at the school. It allows records to be changed on the respective day only and includes security protocols preventing users from retrieving confidential information. The team inquired as to why the district did not use the module and was told that the business office did not know about it. Further, staff attendance is reported manually by the various school and department offices twice monthly. Due dates are

often missed and reporting is often inconsistent and inaccurate. It was reported that “the principals do not take attendance reporting seriously.”

#### **Recommendation:**

**The generating of logs to be manually entered into the payroll system prior to check issuance is not an efficient use of the software. By using the personnel tracking component on a daily basis, the district would have the most recent data on employee absenteeism. It is therefore recommended that the district, with the assistance of the software manufacturer, train the appropriate staff in the use of the personnel module. The team recognizes that the district will realize a productivity enhancement by eliminating the manual logs and disbursing the computer entry to the facilities. However, an exact dollar could not easily be determined because of the number of people involved in the process.**

The administration of health benefits falls upon the payroll accountant. This individual handles all issues relating to these areas. In addition, he maintains the necessary files and processes the clerical paper work associated with his responsibilities. We also determined that no one else in the business office is capable of performing his responsibilities in his absence.

#### **Recommendation:**

**The team recognizes that the payroll and health benefits manager needs support. After reviewing his responsibilities, we feel the filing, clerical paperwork, and some of the data entry are the responsibility of a secretary and not a higher salaried administrator. It is, therefore, recommended that, when the district implements the electronic purchase order system, the secretary now responsible for these functions assist the payroll and health benefits manager with clerical duties.**

### **BUDGETING**

School districts use the budgeting process to list projected school year expenses. Through the final document, residents can identify the priorities and philosophy of their school board and the areas of need and importance in the next school year. It is a process several months in production and varies from district to district.

Hopewell Valley Regional begins its formal budget process three months prior to the submission deadline to the New Jersey Department of Education. Principals are responsible for developing their own school budgets for those areas relating directly to their schools. They also provide critical input to those expenses associated with the district as a whole. Because of the difficulty in locating documents, our analysis examined the 1996-97 through the 1998-99 school budget requests submitted by the principal of each school. The team focused upon the requested budget from each school instead of the final approved budget, as it provides additional insight into the budgeting process not found in the final budget document.

Our analysis found that from the 1996-97 through 1998-99 school years, principals requested an increase of funding averaging 19%; a 21.3% increase between the 1996-97 and 1997-98 school

year and a 17.4% increase for 1998-99 school year. In 1996-97 school year the annual school budget cost per pupil submitted by the principals was \$501.99. This increased to \$603.98 for the 1998-99 school year. This represents an increase of 20% over three school years.

Our review of the individual school budgets found Tollgate School with the largest budget request increase of 40% for the 1998-99 school year, even though its student population remained relatively the same. For the three-year period, we found that Tollgate's cost per pupil increased by the same percentage, 405 per year from \$364 to \$511 dollars. In contrast, the Bear Tavern School requested a one-half percent increase for the 1997-98 and 1998-99 school years. The budget request cost per pupil decreased 5% from \$251 to \$236, while the student population increased by 2%. Central High and Hopewell Elementary budget requests, respectively, averaged 20% and 9% changes over the two-year period. The team felt an analysis of Timberlane's budget requests could not be performed because of insufficient data.

There has been considerable community interest and involvement, as well as controversy, in the development of the school district budget and board election over recent years. This is reflected by the participation of municipal elected officials in the development of a formula for determining an acceptable percentage increase in the budget and, particularly, in the voter turnout at the recent elections. In 1988, 708 persons cast votes on the budget, whereas, in the recent 1998 election, 3749 voters cast their votes. This year's budget defeat was the third consecutive year and sixth time since 1990 that the entire budget was turned down by the resident taxpayers.

### **Recommendation:**

**It is recommended that the formula developed by the board and the municipalities be used as a guideline in constructing future school budgets. The formula developed takes into consideration cost of living increases as well as projected enrollment growth as factors. The process also considers new initiatives as separate items in budget development with priorities established for such items.**

### **SURPLUS**

Surplus is the amount of money held in reserve and left over after the interaction between current year revenues and expenditures. In the event of expenses exceeding the amount of revenues plus any prior year carry over of surplus of funds, a deficit would occur. In accordance with state law, accounts cannot go into deficit. Surplus funds are included in a district's budget in order to provide funds for emergencies or other items beyond the board's control. Sound financial controls are required to ensure that surplus funds are accurately estimated and used only for their intended purpose.

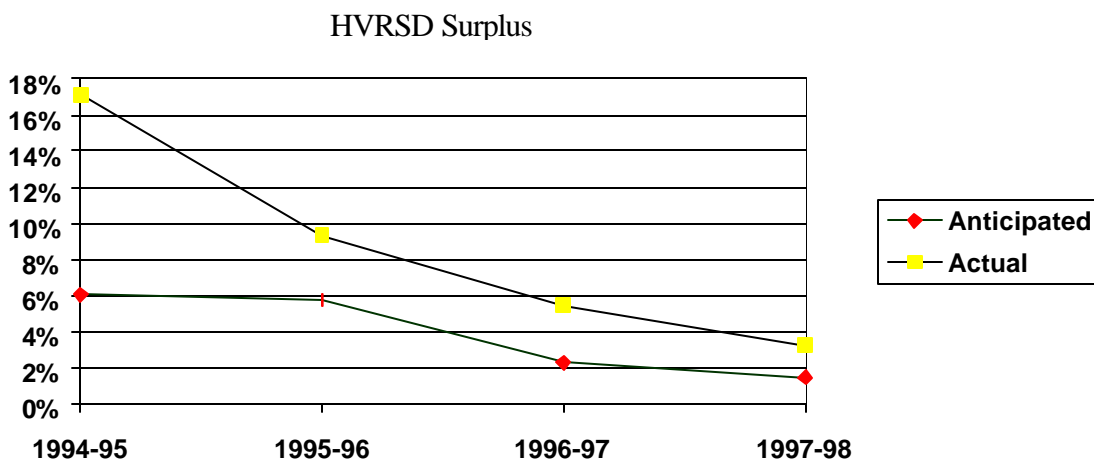
The district's ability to accurately estimate surplus is an indication of its success in establishing sound financial controls. These controls ensure the development of accurate surplus estimates and indicate the need for corrective action if significant deviation from these estimates occurs.

The amount of surplus to leave in a budget can range from under 2% to 6% of anticipated expenditures. The state does not stipulate the amount of surplus a district should maintain. However, the Comprehensive Education Improvement and Financing Act first applicable to the 1997-1998 school year, reduces allowable surplus amounts from 7.5% to a maximum of 6%. In accordance with N.J.S.A.18A:7F-7, excess surplus that is over the allowable maximum shall be appropriated or returned to the taxpayers.

Essentially, the basis for determining surplus depends on the board's ability to understand revenues, expenditures and current year surplus. Such understanding enables school boards to accurately estimate surplus. In terms of revenue, the district knows precisely how much revenue will come from the local tax levy and can make an educated guess as to the amount of other revenue. In the 1996-97 school year, local taxes provided approximately 84% of the total revenue with state, federal and other providing 11%, 1% and 4%, respectively.

Approximately 77% of Hopewell's expenses are for salaries. Except during contract renewal years, the district should be able to accurately determine the amount needed for salaries. Moreover, the salary estimate usually will be higher as a result of terminations, layoffs and resignations. The remaining 20+% of the budget can be somewhat variable, although much can be determined through the use of multi-year contracts and purchase agreements.

From the 1994-95 through 1996-97 school years, the district anticipated surplus, which averaged 3.87%, but realized an average of 8.78%. The district anticipated a 6.04% surplus in 1994, 5.74% in 1995, 2.25% in 1996, and 1.44% for 1997. Subsequently, the actual June 30<sup>th</sup> balances based on the CAFR reports were 17.11% for 1994, 9.33% for 1995, 5.45% for 1996 and 3.23% for 1997-98 school years. According to the adopted 1998-99 budget, the board projects a 1.5-% surplus. The following chart helps to illustrate the differences between the anticipated surplus and the actual balance:



As the graph illustrates, the variance between the budgeted and actual surplus supports the team's assessment that the district needs to improve its budgeting techniques and monitor its spending more closely. Essentially, if the district is consistently closing the school year with a



greater surplus than estimated, then the district needs to reduce the amount of money requested during the budgeting process.

Based on Hopewell's budget, the team feels a 3.5% surplus would provide sufficient reserve to handle unforeseen expenses. It is important to emphasize that the surplus account is not a reserve "checkbook" for overspending an account, but a source of funds for the district to draw upon in times of emergency. For example, surplus funds could be used for emergency repairs to a facility such as Timberlane's roof or the YMCA annex. The developing pattern of anticipating less than 3.5% places the district in a precarious position that could result in a shortfall.

### **Recommendation:**

**The team believes that the 1998-99 estimate surplus of \$512,907 or 1.5% in a 34 million dollar budget is too low. The team believes that most, if not all, of the \$702,173 dollars needed to meet a 3.5% surplus could be achieved through improved budgeting procedures. It is, therefore, recommended that the board maintain a 3.5% surplus in future budgets.**

### **CASH MANAGEMENT**

The review team analyzed the district's use of its cash, its interest earnings, and its relationship with its bank. The district's bank accounts consist of one disbursement (or control) account, three linked operating accounts, four capital accounts split between the bank and an investment vehicle, and one petty cash fund. The building accounts include five student activity funds, and seven petty cash funds. The petty cash funds are set up by board resolution not to exceed \$1,000, and each building principal is responsible for these accounts. It was brought to our attention that the student activity fund was used for petty cash purposes in the past. The school administrators realized the impropriety of using student activity funds for any purpose other than student activities, and the board took corrective action by increasing the petty cash amount to \$1,000 to provide adequate funds for petty cash needs.

We analyzed a three-page agreement between the bank and the district, which dates back to March, 1994. The district has a unique arrangement with its bank called a Controlled Automatic Balance Agreement (CAB) which links the control account, along with the payroll, payroll agency and school lunch fund account. A designated individual reports daily the combined balance for the linked accounts, the previous night's investment balance, and the new balance available for investment, less the target balance. The minimum balance in the original agreement was \$1 million which was reduced in March, 1995 to \$500,000 because of changes in the interest rate levels. Using the new balance available, the bank creates an overnight investment with a rate of interest paid at one percent (1%) below the average of Federal fund transactions for the prior day. Interest is then credited to the control account daily. The fee for the CAB services is covered by the minimum balance. It appears that this arrangement, while providing for a competitive interest rate for idle funds, is cumbersome and complicated. In other districts we have reviewed, the bank used the 90-day T-Bill to set a base interest rate. The bank then reduced this rate to a level so that the difference in interest paid versus the T-Bill rate equaled the costs of the services provided by the bank. The bank set its rate based on the actual costs of the services provided in the prior year, which was usually one-half of a percentage point below the 90-day T-

Bill rate. This process would provide the district with an excellent rate of return while eliminating the daily “debit and credit” process currently undertaken.

We have also seen other district banks count the district balances in a way that increases the effective interest rate. The bank applied its rate to the ledger balance, which is slightly higher than the collected balance, due to a float. The bank paid the full rate on the entire balance. Most banks pay the full rate only on the compensating balance and a reduced rate on the remaining balance. The bank also did not take 10% off the balance as a reserve requirement.

At the time the team analyzed the account balances, there were \$1.6 million in the linked accounts earning 1% below the average of Federal fund transactions for the prior day. In 1997, the district earned approximately \$70,846 in interest income from their operating accounts. The assistant school business administrator also bought CD’s with additional idle funds that generated \$61,479 during the same time period. However, there was a balance of approximately \$1 million in three other non-operating accounts that earned 1.5% interest. The bank told us that these three accounts were not linked to the CAB investment because they are interest bearing accounts. If the district linked these three accounts to the existing CAB agreement, they would realize an additional 3% or \$35,000 dollars return on the investable balances in those accounts. There are two capital accounts invested in NJARM, which is an investment vehicle for capital funds that are not used for current capital expenditures. The district draws down on these funds and transfers them to its checking accounts to provide for payment of claims.

The district’s bank has been cooperative, although slow, in providing the team with information. Bank officials have informed us that as a result of their merging with another bank, they expect the CAB agreement to be changed to a better product sometime this fall, which would be less cumbersome to administer. Since the bank is in the process of reviewing and offering different products to its customers, it would be a good time to update the written agreement existing between the bank and the district in order to identify additional ways to generate interest income.

We also note that the district has not gone out for request for proposals (RFP’s) for banking services for at least the last three years. In order to be sure that they are receiving the best possible services while enhancing interest income, the district should, in the very near future, issue an RFP for banking services. The district’s bank has recently merged with another institution, and the board may wish to coincide their RFP’s with the merger so that comparisons can be made with the new products offered.

One other item the team noted is the fact that bank statements are reconciled at least one month after the Treasurer of School Moneys report is approved by the board. This results in adjustments having to be made in cash balances after the fact. It is suggested that the district make arrangements with their bank to obtain the bank statements in a more timely manner.

## **Recommendations:**

**The district should immediately seek requests for proposals for banking services to ensure that their bank is competitive in the current market. This is timely since their current bank is undergoing merger changes.**

**The district should ensure that all funds, including petty cash funds, be maintained in competitive interest bearing accounts. It would be prudent to meet with its bank to examine the proposed changes in its existing agreements, link the non-operating accounts to its investment account (CAB agreement) and weigh these against expected returns from other banks. Estimated additional interest earnings through consolidation of all funds to the investment account is \$35,000.**

**Anticipated Revenue: \$35,000**

**The business administrator, or his designee, should continue to analyze the cash flow and to invest funds in legal investments to maximize interest earnings. The district should also arrange to receive its bank statements in a timely manner in order to reconcile all accounts before the monthly board meeting.**

## **Auditor's Report**

Every year, school districts issue a comprehensive annual financial report. This audit covers the financial transactions of the board secretary/school business administrator and Treasurer of School Moneys, the activities of the board and the records of the various funds under the auspices of the Board of Education. The audit is performed in accordance with government auditing standards prescribed by Federal Law and New Jersey Department of Education. As part of the LGBR review, the team reviewed the past two management reports covering July 1, 1995 through June 30, 1997.

In reviewing the 1995-96 management report, the team found eight findings against the school district. The findings were:

1. Several budgetary line items were over expended at June 20, 1996 due to an oversight in making budgetary transfers.
2. The petty cash funds for the elementary schools were not returned to the business office prior to June 30<sup>th</sup>.
3. Disbursements were made from the Tollgate Elementary School without proper supporting documentation.
4. Several checks issued contained only one signature for the Tollgate, Hopewell and Bear Tavern Elementary Schools.
5. Several student activity disbursements for the Bear Tavern Elementary School were not for student related purposes.

6. Not all cash disbursements for the High School and Hopewell Elementary School had proper supporting documentation.
7. Failure to return unexpended grant money to New Jersey Department of Education.

The 1996-97 school year audit report indicated that the district took corrective actions on all of these issues. However, the auditors reported additional findings in the 1996-97 report. They were:

1. Failure to return unexpended grant money to New Jersey Department of Education.
2. Failure to complete required verification forms for free and reduced price applications.
3. Several disbursements for the Tollgate Grammar School were not for student related purposes.

The team determined that most of the disbursement issues were related to petty cash account problems. Both the petty cash and transfers are addressed in the appropriate section of the report. We also determined that the failure to closely monitor grant expenditures cost the district approximately \$6,466 over two years.

### **Recommendations:**

**Audit recommendations should not be repeated in subsequent years. Corrective action should taken to prevent this from reoccurring.**

**Grants provide alternative funding of programs, which otherwise would be funded through property taxes. It is not in the interest of taxpayers for the district to return money to grantors for non-expenditure of moneys. It is, therefore, recommended that the district institute procedures to monitor the use of grant related income. Principals should receive training and clearly written policy guidelines on appropriate management of petty cash, student activity and other funds entrusted to their care.**

### **PETTY CASH**

Schools have two accounts, which they may draw upon for emergency or student activities. The district refers to them as the checkbook, or student activity account, and petty cash. The student activity accounts are a depository for PTO and community donations identified for the specific school use only. The petty cash accounts provide each school the ability to fund projects or emergency purchases on short-term notice and they have a maximum purchase cap of \$150. Prior to the January, 1997/98 school year, each school received a petty cash balance of \$300. This was increased to \$1,000 during the 1997/98 school year as a result of a district audit. Apparently, the \$300 balance coupled with delayed reimbursement by the business office forced many of the schools to use the student activity funds for what normally would be petty cash pay-

outs. This is inappropriate. The team interviewed various staff members concerning the petty cash and found many complaints.

### **Recommendation:**

**Petty cash allows the schools to purchase items on an emergency basis. The district should allocate balances as part of the budgeting process rather than deduct the money from accounts at the beginning of the school year. It is therefore recommended that the school district fund the petty cash accounts from the general fund rather than school accounts. Policy should be firmly set and adhered to for the use of student activity funds.**

It was also reported, that the business office had no clear policy on reimbursement of the petty cash fund. One such example involved a school that submitted paperwork for petty cash reimbursement, however, upon receipt of the paperwork, the reimbursement was returned to the school with a memo outlining new procedures. Additionally, the schools complained that, if the petty cash adjustment were to come from multiple accounts, the business office would use the first account listed and deduct the total amount of money from that account. Additional time would then be used in adjustments. All individuals interviewed regarding petty cash procedures complained about the amount of time involved in the current procedure. It was felt that a more efficient method was needed.

The schools were also confused on the business office policy on petty cash restrictions. For example, schools cannot issue a petty cash check for more than \$150.00. A concern was raised that an emergency replacement of three textbooks with shipping would cost more than the limit. In addition, the requirement of reconciling the account after \$500 in expenditures was interpreted to mean that schools had to stop using the petty cash account once \$500 was spent until it was replenished by the business office. The business office supplied a one-page agenda item from the December 15, 1997 board meeting and two memos to school principals that attempted to clarify the issues.

### **Recommendations:**

**The confusion on reimbursement procedures was stated at every school. The procedures and delay in processing was creating an inefficient system. It is therefore recommended that the business office develop written procedures detailing the steps for petty cash reimbursement including requirements for dual signatures.**

**Based on the interviews regarding incorrect deductions, the team recommends a one-page petty cash reimbursement form for all the schools to use. It should be clear and concise identifying which accounts the business office should reduce.**

The team also reviewed the mechanisms by which the schools track their petty cash accounts. We found that Timberlane and Central High School were the only schools using a popular finance package. The rest of the schools used a manual process of books and ledgers.

### **Recommendations:**

The team feels it is inefficient for the district to use a manual process for maintaining petty cash accounts, especially since there are numerous, inexpensive checkbook programs available on the market. It is, therefore, recommended that the business office supply each school and department with a petty cash account computer finance package. The district will achieve a productivity enhancement. However, because of the number of people involved and the varied use of the petty cash account, the team could not identify an efficiency dollar.

Because of the various issues surrounding the petty cash system, the team recommends that the district centralize petty cash accounts into one account operated by the business department. A network finance package would allow each school access to their petty cash balance and print checks in the business office. Checks would be inserted in the daily mail run to each school. This would be a productivity enhancement, as none of the schools personnel would have to manage a petty cash account. Additionally, the business office could operate each student activity account in the same fashion.

### **Transfers**

Transfers of funds between budget line items usually occur, when unexpected expenses occur during the school year. A transfer is the deduction of money from one account in order to deposit it into another account. Legally, transfers between budget controlled accounts, fund, program, and function accounts must have board approval. Transfers within expanded control accounts do not require board approval unless specified under board policy. At the time of this report, no such policy exists.

The team feels that a minimal amount of transfers should occur since a district should be able to project expenses based on prior year information and through the budgeting process itself. Any non-planned or emergency expense can be funded through the surplus account with board approval. The team cautions the board that the surplus account should not become a reserve fund for accounts that are overspent.

Because transfers tend to cancel their entry and because of the difficulty in identifying the destination of transfers, the team analyzed transfers as an independent action. For example, the business account may take funds from multiple accounts (a negative entry) and transfer them to one account (a positive entry) or vice-versa. Excessive transfers may signify a weakness in budgeting. Our review focused on fund 11 transfer reports for the 1995-96 and 1996-97 school years.

The following table provides further account detail of our analysis;

**HVRSD Transfer Summaries  
1996-1997**

<b>Program</b>	<b>Function</b>	<b>Object</b>	<b>Transfer-out</b>	<b>Transfer-in</b>
110-190 Pre-K - 12 grade Undistributed	100 Instruction	101-109 Salaries	(\$228,426)	\$293,146
205-240 Special Ed Accts.	100 Instruction	100-101 Salaries	(\$199,132)	\$79,773
401-402 Co-Curr. Activities/ Spons. Athletics	100 Instruction	Mostly Salaries and General Supplies	(\$54,720)	\$13,150
General	213 Health Services	104-106 Salaries	(\$21,861)	\$309
General	221 Improve Instructional Service	Various Accounts	(\$33,132)	\$46,997
General	260 Operations & Maintenance	Various Accounts	(\$74,242)	\$100,238
General	270 Transportation	Home to School & School Activities	(\$41,294)	\$91,153
General	290 Business & Other Support	Various Objects	(\$284,496)	\$69,346

The overall 4% transfer rate for the 1995-96 and 1996-97 school years of approximately 1.2 million dollars for each year suggests that the district budgeting process may require some refinement. The table illustrates this point by the total dollar amount of transfers found in the special education and business and other support accounts. This suggests that the district over budgeted these accounts. Additionally, it appears under budgeting occurred in the operations and maintenance and transportation accounts. In general, transfer activity has been a “bone of contention” and is confusing to municipal elected officials and the community.

**Recommendations:**

Ultimately, a budget provides the community with a “snap-shot” picture of the district’s goals and its spending projections for the school year. Large transfers suggest either unexpected expenses or a weakness in the budgeting process. As unexpected expenses can be funded through the surplus accounts with board approval, budget corrections between line items within object accounts do not provide the board with information required for future budgeting. Through better refinement of the district’s budgeting process, the team

**feels the district can reduce the overall number of transfers. It is, therefore, recommended that the district perform an analysis of transfers prior to the development of the next school year's budget. Such a report will allow individuals responsible for developing and approving the budget, information pertinent to the development of the next budget.**

**The team also recommends that, at the conclusion of the school year, the district use non-encumbered balances for maintenance projects throughout the district as outlined in the five-year maintenance plan. These projects should be independent of the yearly budgeting process.**

The team also interviewed principals and administrators regarding transfer activity in the district. We received complaints from every school regarding transfers by the business office without notification. The schools generally discovered transfer activity when purchase orders were returned to the respective school because of insufficient funds. One such instance was the central administration decision to purchase a color copier and fund the purchase by transferring the necessary funds from the schools accounts without notifying the school principals. The schools found out about the purchase when their purchase orders started being returned for insufficient funds in the account. Essentially, the principals recognize the responsibility of the business office to handle unexpected expenses. However, the frustration emerged over the lack of notification to the affected schools.

#### **Recommendation:**

**The principals and directors play a significant role in the development of the district budget. They are also responsible for monitoring spending within their areas of responsibilities to insure appropriate spending within the budget guidelines. Transferring funds can negatively impact the ability of an administrator to manage their own budgets. It is, therefore, recommended that the district implement a policy requiring the business office to notify the appropriate departments when a transfer occurs within their accounts.**

#### **Hand-Drawn Checks**

During the review, the team found that the district issues a considerable number of hand drawn checks. Hand drawn checks are disbursements of district funds prior to approval by the board. They require the stamp signatures of the designated board member(s) and a "live" signature of the business administrator. Because funds are disbursed without board member approval, the team feels that hand written checks should be issued on rare occasions. Emergency repairs, payroll agency and FICA obligations, and vendors that impose stiff fines for late payments are generally the only occasions when hand written checks are warranted.

The team found that from December, 1997 through June, 1998, the district issued approximately 182 hand drawn checks. Excluding 64 checks written for payroll obligations and a check for emergency flood service, we found 98 checks written for a total of \$290,717 dollars. Our review of the accounts payable hand-drawn check register found hand written checks to the business administrator and, for restaurants, mileage reimbursements, petty cash reimbursements, travel companies, recruitment trips, a decorating company and other expenses.



### **Recommendation:**

**It is a standard practice that school districts issue payments on a monthly basis after the board approves the bill lists. It assures accountability to the taxpayer that district funds are disbursed with the approval of elected board members. When hand drawn checks are issued, the board cannot exercise its responsibility of monitoring expenditures. It is, therefore, recommended the board adopt a policy restricting the circumstances in which hand drawn checks are issued.**

### **Long Term Debt**

Hopewell school district has a bonding capacity of 68 million dollars. Since 1992, the district has bonded for approximately 36 million dollars and expects additional bonding for at least one new school within the next five years to meet the growing population in the district. The following chart indicates the amount and issue dates of the bonds for the bond referendums voted and approved in 1992 and 1996.

<b>Year Issued</b>	<b>Year Paid Off</b>	<b>6 Face Value</b>	<b>Total Payment 98/99 School Year</b>
1992	2006/07	2,696,000	404,168
1993	2007/08	8,356,000	986,388
1994	2007/08	2,956,000	283,705
1995	2015/16	9,395,000	610,710
1996	2016/17	13,115,000	817,715
<b>Total</b>		<b>36,518,000</b>	<b>3,102,686</b>

During the team interviews with staff and community members, an issue emerged over accountability of the funds. Specifically mentioned was the construction of a storage/maintenance facility behind the administration building. The community believed that the board was going to construct a new building. However, the district never fulfilled this belief. There were also concerns dealing with the upgrading of the YWCA facility and a new sound proof gym floor for the Tollgate School. It appears that during the planning process, the board had publicly stated its intent to construct a maintenance/storage facility at a cost of \$795,000 but further investigation found that the board failed to include the appropriate language in the referendum and, therefore, could not use the bond money to construct a much needed new facility. It should be noted that while the privatization of bussing eliminated the need for a maintenance facility, as mentioned in other areas of the report, the district still needed a storage facility. In addition, the delay in starting construction resulted in increased costs, which ultimately led to eliminating or reducing the initial plans.

**Recommendation:**

**In light of community concerns over expenditures related to the referendums, the business office should compile a detailed report of the two projects identifying vendor, estimated cost, actual cost, date paid and pending issues. Such a report will better inform the community of the cost of the maintenance and school upgrade referendums.**

Fund 30 accounts, 401 and 402, (401 is the designated account for the 1992 maintenance referendum money and 402 is the designated account for the 1996 school upgrade referendum money), had balances of almost one million dollars with all but \$74,000 obligated. When the team reviewed the accounts we also found that when the bonds were issued, the district invested the moneys in NJARM, which earned the district about 5% interest. Once money became encumbered, the district would transfer the funds from the NJARM to the checking account where it earned 1.5% interest until a check was issued and cleared by the vendor. The team found this inefficient as money often remained in the account for extended periods of time until the respective project was completed. This method cost the district up to \$35,000 a year in potential interest earnings (see cash management). It is important to invest bond referendum money wisely to cover the cost of price increases during construction.

Given the probability of future bond issues to fund at least one new school, the district can benefit from improved cash management of bond referendums through the use of project management financial consultants. These specialists develop a time frame for bond projects and invest bond money in higher interest investments with withdrawal dates to coincide with completion of a specific project. Professional management of funds have yielded returns of 6% or greater. Higher interest earnings are critical to cost overruns, inflation and debt service accounts.

**Recommendation:**

**The team recommends that the district consider negotiating with their bank and/or issuing RFP's for banking services in order to obtain a better interest rate on bond referendum funds held in checking accounts. Before approving any improvements with the available funds, the district should seek counsel to verify that the expenditures are in compliance with the intent of the referendum.**

**Student Activity Funds**

**Throughout the school year, students perform fundraisers or receive donations for school activities. These funds are deposited into each school's student activity account. Moneys collected must be spent on projects that directly benefit the students of the respective school. Below is a list of the HVRSD's student activity accounts.**

<b>School</b>	<b>7 Student Activity Account Balance</b>
Bear Tavern	\$2,624
Hopewell Elementary	\$10,725
Toll Gate	\$6,236
Timberlane	\$12,994
Central High	\$133,240
<b>Total</b>	<b>\$165,819</b>

We found activity account balances at acceptable levels with the exception of Central High. As of July, 1998, \$77,027 of the balance in the high school's account was in a certificate of deposit with the remaining \$56,223 in a standard checking account. The district needs to monitor student activity accounts more closely.

One suggestion is for Central High to track the activity account by class year. All moneys collected by the respective class should be available to that class only until graduation, at which time any remaining balances would be turned over to the district for a student activity related expense designated by the students in concert with the high school/district.

### **Recommendations:**

**It appears that the total balance represents multiple years of fund raising and donations. There are several projects at the high school that the students could help fund that would be of direct benefit to students. Two such projects are the conversion of the old sheet metal shop into a television studio and/or replacing the lighting in the school auditorium at a cost of \$30,000 and \$80,000 respectively. It is recommended that the students at the high school fund a capital project(s) that would benefit current and future students.**

**The board should also establish a student activity fund policy stipulating time periods and guidelines for student activity balances and spending.**

### **Board Member Expense**

The district maintains a general administration and board member expense account. An analysis of this account for the 1997-98 school year (through June 9, 1998) indicated payment of expenses for both central administration and board members in the categories of dues to various associations, food (refreshments for meetings, etc.), travel, workshops and consultants and for miscellaneous items. A total of \$39,069.65 was encumbered out of an appropriated amount of \$43,434.

\$24,256 was paid to the New Jersey School Board's Association for mandated dues. \$2,392 was expended for a board members/administrators retreat. Miscellaneous costs included publications, photography, printing, mailing, etc. Major costs from the account were for food, meetings and events, reimbursement of expenses to the superintendent and business administrator, and for conferences attended by the superintendent. Credit cards are not issued or used.

There are no recommendations for this area, other than suggesting that the board monitor this account closely. Overall, the board uses its expense account funds appropriately.

## **INVENTORY**

School districts should maintain two types of inventories. The first involves a professional appraisal performed every five years, which quantifies large ticket items valued at more than five hundred dollars. Professional appraisals aid the district in determining the worth of district assets and appropriate insurance coverage. The other is an annual inventory designed to quantify the property of the district and to assist the district in maintaining inventory control and proof of ownership for insurance claims on items not included in the professional appraisal.

The team found that the district had a professional appraisal performed in September, 1997, which included a supplemental appraisal for items priced between \$300 and \$500 dollars. When the team asked the schools and various departments for their inventory listing, not one department could produce a list. The team expressed concern when the MIS department could not produce an inventory listing of parts and computers (see MIS section). The schools indicated that it was the business office's responsibility for maintaining their inventory. Ultimately, the team could not identify when a district wide inventory last occurred even though board policy 3440 requires an annual inventory.

### **Recommendation:**

**Inventory stock and appraisal lists provide organizations with valuable information. They not only list public assets, but can help identify theft, establish consumption guidelines, and help prevent unnecessary purchasing. An incomplete inventory listing makes it difficult to identify a loss or provide proper insurance coverage for the district. Since the district already has a board policy in place regarding inventory, it is recommended that the district implement an asset inventory system for items less than the appraisal threshold. The inventory should be part of a database identifying object, location and value. The principal at each school should be held accountable as to the location and condition of all district property belonging to the school and a computerized system should be maintained in the central office.**

## **PHOTOCOPIERS**

Photocopy machines are a major, but necessary, expense for school districts. It is not unusual for districts to make more than a half a million copies a month. We asked each school to provide an inventory of copiers in their respective buildings with a count of the copies made to date for each machine. The team compiled a list of 26 copiers. We requested purchase orders and lease agreements from the business office. However, the office could only supply documentation for 15 copiers and even this information was not in order. The business office failed to produce documentation for the photocopy machines at Hopewell Elementary and had limited information for Bear Tavern, Central High, and Timberlane.

Our first task was to compare the cost of leasing to cost per copy contracts. In a cost per copy contract, the district pays for the number of copies made on the machine. Cost per copy contracts includes setup, technical assistance, maintenance and supplies excluding staples and paper. Additional information can be found on the cost per copy state contract filed with the Department of Treasury's Purchasing Bureau. Vendor's base cost per copy contracts are on three-year agreements while many lease purchase agreements are five-year terms. Still, we consider our analysis valid since school environments are often the most abusive, and, given technological advances, three years represents a reasonable life cycle for a photocopier.

Based on lease agreements provided, we found that the district pays approximately \$141,989 dollars per year for 14 copiers. Using the same specifications defined in the lease agreements, cost per copy contracts would have cost the district \$54,834 dollars or \$87,155 less than the lease agreement. A comparison of the transportation and maintenance department, which recently purchased its copier, showed that the \$5,190 dollars spent could have paid for the cost per copy machine for 12.3 years.

**Recommendation:**

**Cost per copy contracts represent significant cost savings for the district over lease purchase agreements. Even though the district is in the middle of its lease agreement, it is recommended that the district eventually replace its leases with cost per copy contracts for cost savings in excess of \$87,155. The team believes that savings would be greater if it had reviewed all the contracts. Any future copier purchases or lease agreements should be compared to cost per copy prices.**

**Cost Savings: \$ 87,155**

The team found that approximately 32% or seven of the district's copiers were located in the administration building. We believe this is excessive since the building is the second smallest in the district and most of the offices are staffed with less than six employees. In addition to housing the district's high volume and color copiers, every department in the building had a copy machine. The team feels the district could eliminate four of the copiers by creating a central copy area on each floor.

**Recommendation:**

The Administration building is sufficiently small enough that, in addition to the large volume copier and the color copier, the district should have one additional copier located on the second floor. It is, therefore, recommended that the district reduce the number of copiers in the administration building to three for estimated cost savings of \$16,695 dollars.

**Cost Savings: \$16,695**

### **III. COLLECTIVE BARGAINING AGREEMENTS**

The Hopewell Valley Regional School District has six collective bargaining agreements with six employees bargaining groups. The review team examined the contracts of each. Additionally, the team examined the individual contracts of the non-affiliated employees including the superintendent and business administrator who are not represented by collective bargaining units. The following chart illustrates the units, employees represented and the dates of the contracts reviewed:

#### **COLLECTIVE BARGAINING UNITS**

<b>UNIT</b>	<b>EMPLOYEES REPRESENTED</b>	<b>CONTRACT PERIOD</b>
HVEA - Hopewell Valley Education Association	Teachers, librarians and specialists	1998-2001
HVASA - Hopewell Valley Administrators and Supervisors Association	Certified Principals, vice-principals, Director and Supervisor	1995-1998
Hopewell Valley Non-Certified Administrators and Supervisors Assoc.	Manager/Computer Operator & Programmer, Maintenance Foreman & Transportation Supervisor	1995-1998
Hopewell Valley Secretaries Association	All secretaries except confidential, part time, assistants and substitutes	1998-2001
Hopewell Valley Support Staff Association - HVSSA	Teacher assistants	1998-2001
Hopewell Valley Regional Custodians Association	Custodians, Maintenance - regular and vehicle and Skilled Craftsmen	1996-1999

Contract agreements were recently ratified for those contracts which have a contract ending date of 2001 and successor agreements were in the process of negotiations for those ending in 1998.

The recently settled agreement between the board of education and HVEA was hailed by both sides of the bargaining table as being positive with gains and compromise by both parties. Positives include increased salaries for teachers, a more competitive, equitable and workable salary guide with a better distribution between steps on the guide, an increase in employee contribution to health insurance costs and a change from traditional to managed care, increased teacher schedule time, stronger contract management by the employer and elimination of pay for lunch duty. The settlement costs for salaries were, however, far more costly than the 4% per year reported since the cost of increment increases was not included in the publicized percentage settlement.

There are some items in the various contracts that are not seen to be in the best interests of the board and community and may be considered to be extravagant when compared to state procedures and generally accepted norms. These can be changed or corrected only through the collective bargaining process. Careful management of the contracts by the administration can help to manage these costs.

#### **Personal Days**

Each of the contracts provide for six (6) personal days per year. Three of these may be used “without reason”. In essence, these are additional “vacation days” although they cannot be used

to extend a holiday. Three additional days may be granted for each death in the immediate family. Unused personal days accumulate as sick leave at the end of each school year.

The original purpose of personal days in employee contracts is to provide time to conduct business or take care of emergencies that cannot be taken care of during time other than the normal work day. The generally accepted standard is three (3) personal days. This is adequate to cover most personal emergencies or situations. This is particularly true for teachers who work 185 days per year and who are provided with generous vacation breaks in the school calendar. This is also true for administrators and other 12-month employees who are provided with liberal vacation leave.

### **Recommendation:**

**It is recommended that the board of education negotiate to reduce the number of personal days for all employees to the accepted standard of three (3) per year. This recommendation would result in a substantial financial savings and would benefit the district and student learning. Savings would result from less costs for substitutes, more productivity and lower retirement payouts. Students would benefit from less teacher absenteeism and more continuity in instruction.**

**To put this value into perspective, if the approximately 450 employees used three rather than six personal days per year there would be the potential for an increased productivity enhancement of 1,350 workdays per year. If the approximately 300 teachers and professionals who require substitutes when absent reduced this need by three days each per year the potential dollar savings to the district would be \$49,500 (300 x 3 x \$55/day for subs).**

**Cost Savings: \$49,500**

### **Vacation Allotments**

Twelve-month employees (administrators, custodial/maintenance staff and clerical personnel) are granted vacation days. These range from starting secretaries receiving 13 days per year to 25 days for administrators. Secretaries and custodians receive more days as they accumulate more service time to the district. Secretaries receive 21 days after eight years of service and 23 days after 12 years. Custodial/maintenance workers receive 21 days after 13 years of service and 23 days after 15 years in the district. Ten-month secretaries receive 12 vacation days per year.

Administrators may accumulate up to 25 days of vacation that can be carried over to the next year. Unused vacation days are compensated at retirement at the per diem rate of pay at that time. Secretaries may carry over 10 days to the following year. They must then be used or lost since secretaries are not compensated for unused vacation at retirement.

It should be noted that each of the employee bargaining groups receives an additional 12-13 paid holidays per year. When coupled with the vacation and personal day allotments there is an entitlement of as many as 44 paid holidays per year.

The accepted standard for vacation days for 12-month employees is a maximum of 20 days per year. Using this standard, there is potential for tremendous savings in enhanced productivity and dollar costs if all employees would have a maximum of 20 days vacation leave. For administrators alone these dollar savings would approximate \$30,000 (average per diem of \$400 x 5 days x 15 administrators)

**Recommendation:**

**It is recommended that the Board of Education negotiate to cap vacation leave at the acceptable standard of 20 days per year for all employees.**

**Cost Savings: \$30,000**

**Longevity**

Salary guides provide service increments (longevity payments) that are awarded solely on the basis of years of service. Historically, longevity pay was awarded for long and faithful service when there were teacher shortages and when pay was low.

In Hopewell Valley, longevity payments are paid to the varying employee groups at various years of service intervals and in varying amounts. These increase in each ensuing year of the negotiated contract. Examples follow:

HVEA members receive payments of \$200 for each year of service after step # 15 in 1998-99; \$500 for each year of service after step #15 in 1999-2000 and \$750 for each year after step #15 in 2000-2001. These added longevity payments, in effect, change the guide from 15 to 21 incremental steps.

HVSA (secretaries) members receive longevity payments after 10 years of service. They receive an additional \$600 for years 10-14 of service; \$650 for years 14-19 and \$700 for 20 or more years of service.

HVSSA (support staff) members receive longevity payments after 15 years of employment in the amounts of \$250 in 1998-1999; \$300 in 1999-2000 and \$350 in 2000-2001.

Administrators are paid by a ratio formula and do not receive longevity pay.

The LGBR does not support the concept of longevity pay. The present salary guide structure in most school districts rewards longevity. Increased pay is provided on the guides for each year of service. Additional pay for time served is unwarranted. Current employees are granted increases in pay each year as they move vertically on the guide.



## **Recommendation:**

**It is recommended that the district negotiate the elimination of extra longevity payments to employees on the basis of time served. Employee compensation should be on the basis of productivity. This recommendation would result in substantial annual savings.**

## **Professional Growth**

LGBR is supportive of professional growth for employees. An educated staff results in improved education for the students. The Hopewell Valley Regional Board of Education is very supportive of staff development in its district. The board recognizes the value of staff development and encourages teachers to improve their skills and knowledge. Professional growth is provided through college graduate courses (reimbursement for credits earned and increased pay for added credentials), and district planned in-service programs and out-of-district workshops. Teachers can, for example, earn up to 18 credits per year for course reimbursement. Administrators can receive up to a cap of \$1,450 in tuition reimbursements per year.

LGBR also supports setting dollar limits and advanced approval for tuition reimbursement. This provides for appropriate budget planning.

A concern was raised by many people in the educational community about the high costs of district provided in-service and, in particular, the frequency of absences and the cost for substitutes for teachers who must participate in mandated staff development programs. Teachers, administrators and parents expressed this complaint. They felt that, although this training is important, time away from their students was disrupting the continuity of instruction and it was also costly. Teachers were concerned that they were out of their classrooms too often. Principals were concerned because their buildings were more difficult to manage and the instructional program was being affected. Parents were concerned about the frequent use of substitutes.

Teachers are also out of the classroom for curriculum development and training and for other district management needs.

Through data collected by the review team, it was determined that approximately 600 substitute days were required to cover the full or partial day participation of teachers for professional staff development during the 1996-97 school year. More than one-third of these days were for the high school, while another 100 plus days were for the middle school. The balance, approximately half, was spread among the elementary schools. There were several instances when there were as many as 10 teachers pulled out of a single building on a particular day for which substitutes were required. An obvious conclusion drawn from this data supports the complaints of a negative impact upon the schools and, more importantly, the students.

The costs for staff development consultants during the 1996-97 school year was \$5,717.08 with another \$1,200 being furnished through grant money. The next year, 1997-98, \$16,408.47 of district funds was spent on staff development with an additional amount of \$2,135 being provided from grant funds. The 1997-98 Professional Development calendar listed over 40 course offerings, six of which were held during school hours. One staff member received a \$600

stipend to provide staff development instruction. Other district staff including teachers, supervisors and administrators were paid to present courses.

When the Assistant Superintendent for Curriculum and Instruction (Acting Superintendent) was asked about this, she stated she was aware of some of the concerns but could not give the number of total teaching days lost in the classroom nor costs of staff training or substitutes. She and the district are proud of their teacher training, as they should be, but they should reevaluate its impact on the instructional program.

#### **Recommendation:**

**The district should conduct a thorough study of the number of staff development opportunities provided to teachers both in and out-of-district, their value to the learning program, the impact upon the students and the costs of these opportunities in programming and substitutes. Alternative means of training and curriculum development need to be explored thoroughly. Reducing just substitute costs by one-third would result in savings of \$13,000.**

**Cost Savings: \$13,000**

#### **Black Seal and Other Licenses**

The Department of Labor requires that a holder of a Black Seal license must be on duty in any public building where there is a low-pressure boiler in service. Many districts require that custodians hold a Black Seal license or obtain one in a stipulated time as a condition of employment. At the present time, the Hopewell Valley Board pays an annual stipend of \$1,000 to those who hold the license.

LGBR does not support the payment of this extra stipend. Just as teachers and administrators are not paid extra for their professional certificates and must have them as a condition of employment, so should the custodians not be paid extra for licenses that are required as part of the job. The cost for these stipends is approximately \$10,000.

The board also pays stipends for other licenses. These include \$500 for a valid pesticide applicator's license, \$1,000 for a valid sewerage license, \$500 for a Stage I refrigerant license and \$1,000 for a Stage II refrigerant license. LGBR supports the cost of training for employees to obtain these licenses but not an annual stipend. LGBR commends the board for encouraging these licensures for they ultimately save the district costs for obtaining outside vendors to perform routine tasks that require the holder of various licenses.

#### **Recommendation:**

**It is recommended that the board negotiate the elimination of the annual stipend for licenses required as a condition of employment. An option might be a one time only stipend for this achievement.**

**Cost Savings: \$10,000**

#### **Reduced Tuition for Children of Employees**

The board permits children of employees who reside outside of the district to attend the Hopewell Valley Schools at 10% of the district tuition costs. For those who chose to take advantage of this opportunity, it amounts to an extra benefit of nearly \$7,000. **This practice should be discontinued.**

### **Work Schedules**

Under Article IV-Paragraph 5, Board Rights of the Custodial Unit Agreement, the board has the managerial right to set work schedules, hours, assignments, etc. of the custodial and maintenance staffs. To reduce overtime and to accomplish work that cannot be accomplished while students are in session, **it is recommended that a staggered workweek and other scheduling techniques be utilized to reduce costs and to improve efficiency.**

### **Non-affiliated Contracts**

Confusion arose out of the interpretation/misinterpretation of the former superintendent's personal contract. Article IX, Other Payments and Benefits, provides perks not found in other employee contracts. Although this is not uncommon in chief executive contracts, some of the provisions found here are considered to be excessive. Items such as life insurance equal to three times the individual's salary and payment of a \$15,000 tax sheltered annuity over and above a substantial salary, are in the LGBR's opinion, excessive.

### **Recommendation:**

**Great care needs to be exercised in developing contract language in all contracts, particularly those of individuals including the Superintendent and Business Administrator, who are not members of larger affiliated units in order to avoid incurring the dissatisfaction and distrust of the community which often results in a defeated budget. The board should avoid extravagant provisions and confusing language in its contract negotiations with the next superintendent.**

## **INSURANCE**

### **Health Benefits**

The recent settlement with teachers and other bargaining groups resulted in significant progress in both plan design and in employee cost sharing for health benefits. The changes were not without problems due to some planning deficiencies and poor communication of plan changes from the union to the membership. The changes were made in exchange for greater wage concessions.

The change from one managed care network to another had unexpected costs to the district and its employees. Approximately 50 employees were affiliated with a medical group, which was not in the new plan. This represented about 12.5 % of the total insured in the district. Also, the new plan did not permit an employee or insured family member to go out of state for treatment. Hopewell Valley borders Pennsylvania and some of the district's employees reside or receive treatment there. These factors should have been addressed during negotiations and the problems could have been resolved.

The district estimated a saving of approximately \$200,000 in averted premium cost increases by switching to the new network. The district conducted a re-enrollment of all staff for health care coverage, which resulted in 47 employees moving from family to husband/wife coverage for medical coverage and 39 employees changing from family to husband/wife status in the prescription coverage.

Due to the high concentration of employees in the one medical group and the border situation of the community, a number of families changed to different forms of health care coverage. After accounting for COBRA beneficiaries, the additional cost to the district was \$37,137, which reduced the \$200,000 savings. The prescription coverage cost savings was \$20,124. The health provider was negotiating with the medical group regarding joining the network.

The district currently charges a participation rate of 5 % to its employees for the different levels of health coverage. The cost varies by plan. The review team applauds this concept and practice because the district can limit costs while allowing the employees a choice in selecting a health plan.

The district allows retirees to participate by paying for coverage at the overall group rate. This has a significant impact upon the group's prescription cost because of the greater user rate of retirees. It is suggested that the district negotiate out this provision to future retirees or to separate this group from the active employees and price them separately. Prescription costs have recently become the largest cost driver in health care for school districts. A modest saving of just 10 % in this area would result in savings of \$46,800 to the district.

The district could shop around for other prescription plans or work with the current provider to control these costs. The district expects to pay approximately \$468,000 for prescription coverage after premium sharing. Co-pays are currently at reasonable levels at \$5 for generic and \$10 for name brand drugs. The district could reduce costs by reducing the supply before a prescription needs to be refilled from 34 days to 21 days. Patients could still have refills but this provision increases the co-pay activity on chronic medications and limits the amount on lost and unused medications.

Another cost savings provision would be mail order prescriptions for periods deemed medically prudent such as 30 to 90 days before renewal and increasing co-pays for mail order prescriptions to \$5.00. According to the industry this would result in an approximate 10 % savings on mail order.

Also, generic prescription utilization could be encouraged by a three tiered co-pay arrangement. Generics could have a \$5.00 co-pay, non-substitutable brand names could have a \$10.00 co-pay and substitutable brand names could have a co-pay equal to the difference in cost between the generic and brand name medications. This would result in savings of about 7-9 % or at least \$32,760.

The dental plan could also be modified to effect savings. State employees currently pay 50% of the cost of dental coverage. This provision, plus others proposed by the broker, could result in savings in this area. The gross cost of dental benefits to the district is about \$217,800. District

employees pay a 5 % share. If increased to 50 %, as with state employees, a savings of \$98,010 could be realized.

#### **Recommendations:**

**The district should consider adding another health care plan that would permit utilization of out of state doctors. The Blue Choice network should be the benchmark plan and, after paying a 5 % participation rate, the employee would be charged the difference in cost between the plans. This would be a no cost solution to the board for this unique problem.**

**The district should negotiate out the allowance of retiree participation. An option would be to grandfather those already being provided the coverage and place them into their own group and to discontinue the practice for future retirees. Savings would equal 10 % or approximately \$46,800.**

**Cost Savings: \$46,800**

**The district should negotiate a change in the structure of co-pays for prescription plans to allow for “other than generic” pricing. This would allow the district to control costs of medications. Generic drugs have a more stable price history than brand name medications.**

**Cost Savings: \$32,760**

**The district should reduce the maximum number of days for prescriptions from 34 to 21 days.**

**Cost Savings: \$46,800**

**The district should increase the premium sharing component of dental benefits from 5 % to 50 %.**

**Cost Savings: \$98,010**

**Total Health Benefits Savings: \$224,370**

#### **Indemnity Insurance**

Indemnity insurance in the district is provided by a joint insurance fund (JIF). The district changed from an insurance pool for property and casualty to the JIF two years ago. The district is commended for saving \$81,000 at that time and for capitalizing on an excellent experience history. The district needs to take several additional steps in order to continue to keep their costs at a minimum. These include:

**Implement the recommendations from the safety consultant or have justified reasons for not completing them. These issues, from a report that is over a year old, need to be addressed.**

**Light duty should be explored. A person who is injured may be able to do other tasks. The union should assist with this since it is in the best interests of all to have a worker return to the job as soon as feasible.**

**The safety committee should be convened as soon as possible. They should meet on a quarterly basis and discuss positive methods of risk avoidance to reduce future potential liability.**

The district saved considerably by changing to the JIF. To keep aware of how much they are saving they should price the market place prior to renewal. The district should continue to save for several reasons:

- Members of a JIF share in lower claims. A district has a great deal to gain by a low experience history. The JIF capitalizes on emphasizing risk prevention.
- Members share in the investment income of a JIF fund as well as sharing in the investment risk.
- The JIF is not required to pay the insurance excise tax.
- A risk manager receives 6 % or less compared to 10 % for full insurance commission.

### **Personnel Office**

Personnel offices are responsible for handling personnel issues from benefits to the administrative tasks associated with recruitment and new employees. The current one-person office cannot handle all the duties that are generally associated with a personnel department. As a result, personnel issues are handled in three different offices; the business office, the superintendent's office and the personnel office. Health benefits are assigned to the payroll accountant, workers' compensation to the business administrator's confidential secretary and recording personnel time is assigned to both the business office and the superintendent's office. New employees are welcomed to the district at a "welcome" breakfast, but are not provided orientation training. The district does not have an employee handbook outlining policy.

The team was not able to identify any individuals who had received training in labor legislation. It was reported that questions regarding employee rights under labor laws are "bounced around" the three offices. If they are unable to determine an answer, one of the three will call the board attorney for assistance. Considering the amount of labor legislation, such as Affirmative Action, Right to Know, Sexual Harassment, ADA, Family Leave, Workers' Compensation and EEO that affects the work place, the board should address this issue before it becomes a serious liability.

**Recommendation:**

**It is recommended that the board, in conjunction with the New Jersey School Boards Association, create and adopt an employee handbook outlining board policies and distribute it to all employees.**

The district needs to staff the personnel office with employees well versed in human resources. The team does not feel that there is a need to hire an administrator as most questions could be handled in an employee handbook or by an experienced personnel specialist. The personnel staff can consult the New Jersey School Boards Association or the board attorney with complex issues. We feel this should not be a regular occurrence since most questions regarding employee benefits are general and repetitive in nature. This individual could also develop training orientation for new employees and assist with health benefits.

**It is recommended that the district explore the hiring of a human resource specialist who is knowledgeable in personnel matters and could provide training to new employees. This office would be responsible for the recruitment and processing of employment candidates, attendance records and general personnel records. The business office should maintain jurisdiction over payroll and benefits and workers' compensation issues. The superintendent's office should maintain evaluation and disciplinary records and make recommendations for employment, promotion, tenure, etc.**

**Value Added Expense: \$45,000 + Benefits**

**Recruitment**

In discussions with board members and administrators, they shared that they "hire the best" and often go outside the area on staff recruiting trips to seek top candidates. Often these candidates are from the ranks of the more experienced or credentialed. Although it is commendable to employ the best candidate available, it is not always necessary to look outside the state or to pay salaries, which are at the top of the guide. Excellent candidates are available from more local colleges and universities and from recent graduating classes. Should there be a desire to diversify and hire from outside the area, "recruitment" can be accomplished through advertising and job postings at college placement offices. In addition, with the excellent reputation the district holds, the district receives many applicants for each vacant position.

It is also quite costly to hire experienced teachers. The difference between the starting salary and higher steps on the salary guide can be considerable. Substantial savings can be realized by more prudent hiring practices.

**Recommendation:**

**It is recommended that the board and the superintendent review the recruitment and hiring practices of the district and establish prudent procedures, without sacrificing quality of instruction.**

HVRSD receives approximately 2,000 applications and resumes annually from candidates seeking positions. The personnel office processes the applications and forwards them to the appropriate department for review and selection for the interviewing process. The process is extremely time consuming and paper intensive as the district may receive scores of applications for one position. During a conversation with another school district, the team found that the personnel office has access to recruitment software that can greatly assist the district with the hiring process. The software is currently part of the business office program.

We found that the business office was not aware that their system included a personnel recruitment scanning module. The program allows the district to scan applicants into a software package which can then sort and generate a list of eligible candidates based on criteria established by the district. For example, if the district receives two hundred applications for three teaching positions, once the applications are scanned into the computer, the superintendent can establish criteria and have the computer sort out those individuals who meet the guidelines. This package was requested and paid for by another school district and made available to all school districts using the business software, at no additional cost.

#### **Recommendation:**

**The scanning program will greatly reduce the manual time involved in selecting candidates for the interviewing process. If the district elects to keep the current business package, it is recommended that the district begin using the module.**

#### **Contract Processing**

The personnel office is responsible for generating all contracts. Contracts are generated on an annual basis. However, employee changes and new hires require some monthly activity. The office generates and maintains a contract for each individual through a word processing program. The personnel specialist spends at least one week of her time generating new contracts for the next school year.

The team feels that the district can achieve a productivity enhancement by using the personnel contract module of the business office software package. This module can expedite contract processing because it can merge personnel and payroll information with standardized contracts. The package can make the yearly adjustments, provided the district enters the negotiated agreement information into the program.

#### **Recommendation:**

**It is recommended that the district request the business software consultant's assistance in setting up and using the contract module to improve the efficiency of the personnel office in generating and maintaining employee contracts.**

**Productivity Enhancement: \$1,500**



### **Personnel Leave Reporting**

The team found the personnel leave reporting procedures to be cumbersome. When an employee requests a leave, the secretary in the respective department / school records the written request in a log and forwards the request to the superintendent's office. Prior to payroll, the log gets forwarded to the business office for entry into another log and the payroll system. Both the superintendent's and the business offices indicated that their records do not always match.

The team questions why the district uses the current system when there is a personnel leave tracking module included with the business office software that is accessible by all the schools and departments. The package allows entry and correction of employee leaves into the personnel module on a daily basis. Historical entries can only be corrected by the central office and the system contains security mechanisms to maintain employee confidentiality.

### **Recommendation:**

**Having a log in the school / department, business office and superintendent's office is redundant, inefficient and a productivity loss. It is, therefore, recommended that the district begin using the personnel leave-tracking system included in the business office software.**

### **Substitute Calling Lists**

The personnel office is responsible for generating a list of board-approved substitutes in July of each school year. The list is updated on a monthly basis as individuals are hired or terminated. The office then sends the list to the district substitute caller. However, instead of generating a comprehensive master list each month, the personnel office sends the caller a report with only the recently approved or terminated substitutes. The caller then adds the new list to her old list to create a comprehensive list of all board-approved substitutes. What starts out as a small report in July becomes an extensive one as the school year progresses. The problem we found is that a board approved substitute placed on the roster in August does not appear on any of the subsequent reports, which potentially creates an unfair selection process if the caller uses more recently generated lists.

### **Recommendation:**

**Creating a different list each month and adding it to the previous report to create a master list is arduous and inefficient. There are numerous database software packages that are capable of generating an accurate, updated substitute report every month. It should be a relatively easy task for the MIS department to create a program for use by the personnel office. It is, therefore, recommended that the MIS department creates a substitute caller database and trains the personnel office in the use and maintenance of the database.**

### **Sick Time Abuse**

The team reviewed sick time cost to the district. Using data supplied by the business office, we extracted those individuals who had a minimum of two years employment and accumulated less than four sick days. Our analysis found that the 29 employees who met the criteria could have accumulated 2,412 sick days. However, this group had a total of 16.3 days accumulated. This

amounts to a substantial loss to the district, not only in substitute costs, but also in productivity. Of the four employees on the list with over 20 years of employment, three had **no** accumulated sick time.

### **Recommendation:**

**The team reviewed negotiated agreements and Board Policy 4000 Series-Personnel for the district policy on sick time abuse. Neither of the sources outlined disciplinary action for sick time abuse. A reduction in sick leave would result in significant cost savings for substitute salaries and increased productivity in learning, while still permitting those with legitimate illnesses to care for themselves. It is recommended that the board develop a sick time abuse policy with implementation and corrective disciplinary action as necessitated.**

## **CONTRACTED SERVICES**

### **Legal Fees**

The district paid \$66,280 in legal fees during the 1995-96 school year and \$66,638 during the 1996-97 school year. It expended \$123,932 through March of the 1997-98 school year. This is an increase of \$57,294 over the previous year with three months still remaining in the fiscal year. A review of the vendor analysis did not indicate the reason for this significant increase. This amount did not represent legal fees for representing the board in the recent matter involving the superintendent's employment.

The Hopewell Valley Board of Education has had a long-standing contractual relationship with their solicitor. The most recent contract available on file in the district is dated July 1, 1994. Provisions included a \$2,000 monthly retainer (\$24,000 annual) and an hourly rate of \$105 for services not included in the retainer and \$55 per hour for paralegal services, plus expenses. The review team believes that these rates are still in effect. Hourly rates tend to range from \$90 to \$150 per hour across the state for legal services. The board does keep track of the number of hours performed by the solicitor. The team supports this management technique because it provides important information regarding costs and services of their solicitor.

A comparison of district legal fees with nearby districts paid in 1996-97 is shown below. Although legal fees paid are comparable, the retainer fee paid to Hopewell's attorney is considerably higher.

### **LEGAL FEES**

<b>District</b>	<b>Hopewell Valley</b>	<b>Lawrence</b>	<b>Ewing</b>	<b>Princeton</b>
Retainer	\$24,000	\$5,000	N/A	17,000
Hourly Rate	\$105	\$120	N/A	\$140
Salary	N/A	N/A	\$45,000	N/A
Total Legal Expense *	\$66,638	\$67,157	\$47,730	\$227,041

\* Total expenses include retainer fees and salary

### **Auditor Fees**

The auditor's fees totaled \$21,800 for the 1996-97 school year. A copy of the contract for the auditing firm could not be located, nor is there any indication that the board has ever prepared RFPs to seek competitive alternative auditing services from other qualified accounting firms. The reported contract fees were \$21,000 for the annual audit and a rate of \$95 per hour for services other than and beyond the audit. When these rates were compared with the same districts used in the comparison of legal fees, it was found that they paid a range of \$16,500 in Lawrence Township to \$50,000 in Princeton (Ewing Twp. paid \$28,565). Hopewell's fees appear to be appropriate for the size and location of the district.

### **Health Services**

The district utilizes a number of health providers to provide medical services to the district. A review of the expense ledger for 1996-97 reflected costs for these were \$28,592. There were no contracts of record with the providers available.

### **Recommendation:**

**The board and business administrator report that they have enjoyed long and harmonious relationships with their contracted service providers and are pleased with the services provided. This may well be, but it may be in the best interests of the community for the board to seek RFPs from other vendors for like services in order to ascertain that the rates they are paying are competitive. Furthermore, it is incumbent upon the board to have current and complete contracts for all service providers.**

### **STAFFING**

There are discrepancies in staffing levels, teachers' schedules, instructional loads and teacher/pupil contact time across the district, especially in the high and middle schools. Some of these are built into the negotiated agreement, although they are not all endorsed by the total staff. There are also inequities created by contract, which should be corrected during the next negotiations. These inequities impact upon the budget and the tax rate.

### **Recommendation:**

**Management should renegotiate teacher instructional schedules on a more equitable basis. For example, if secondary teachers were assigned six class periods per day instead of five, staffing could be reduced by approximately five positions at a saving of \$272,000 (8x the starting salary of \$34,000).**

**Potential Savings: \$272,000**

### **Supervisors**

There are four district subject supervisors, who are specialists in their subject areas and a district helping teacher, whose primary responsibilities are staff development and assisting new teachers. In addition, there are eight head teachers in the middle school and teachers with department head responsibilities in the high school. The district supervisors provide services primarily to the two upper schools. The elementary schools receive very little assistance from the subject specialists. The team questions whether this plan is in the best interests of the district and whether it is the

best delivery of services to staff, especially in the elementary schools, where teachers are historically generalists. We also do not believe it is cost effective for elementary teachers to be pulled from class to write curriculum or to examine instructional texts and materials while substitutes are hired to teach their classes.

#### **Recommendation:**

**The review team recommends that the role of the subject supervisors and their responsibilities in the areas of staff development and teacher assistance be delineated for the purpose of effecting the most equitable delivery of services to the entire district in a cost effective manner.**

#### **Teacher Assistants**

According to the district staff directory, 56 teacher assistants are employed throughout the district. They are utilized in a number of ways. Some assist in special education classes, some in regular education classes, some perform clerical functions and assist the nurses, and others assist in specialty programs.

In addition to salary costs, there are other costs generated by the employment of teacher assistants, such as, benefits, over time, extra duty pay, vacation pay, sick leave, personal leave, and substitute costs to cover absences.

#### **Recommendations:**

**The district needs to assess the role of each of the 56 teacher assistants and determine their need. It would appear that some reduction of this staff could be achieved without creating a negative impact in the district. A reduction in the number of teacher assistants and related costs would result in significant savings One less assistant in each school would save approximately \$70,000**

**Cost Savings: \$70,000**

#### **MANAGEMENT INFORMATION SYSTEMS**

HVRSD actively pursues the integration of technology into all operations of the district. The district has invested heavily into technology as all buildings and departments are computerized and connected into a wide area network (WAN). By September, 1998, the district plans to have approximately 950 computers for instructional and administrative use. The district currently has twelve file servers, six high school labs, two middle school labs and four elementary labs. First, second and sixth grades have six computers in each classroom. The 1998-99 budget provides for six computers to be placed in the third grade rooms. Eventually, the district plans to have six computers in every classroom. There are also computers in other classrooms, as well as three web file servers. The libraries at the high school and middle school have a 48 bay CD tower with 22 workstations and 16 workstations, respectively. There is a T1 internet line into the Tollgate School with internet access distributed to all buildings. Each building has a network and interfaces via an intranet with all buildings along with the appropriate equipment to support the WAN. The team received many complaints regarding computer support. Based on our

observations, we feel the complaints are valid, as the rest of this section will demonstrate. The explosive growth of technology and the weaknesses found in the district need to be corrected. The LGBR technology review does not extend to program evaluation of software.

### **Organization/Staffing**

A supervisor of technology currently heads the MIS department. An organizational chart shows 14 full time positions with additional part time staff. The supervisor of technology, the head of the department, also supervises computer teachers. When we eliminated the teachers and vacant positions, we found the department has three technicians (including the technology supervisor), one secretary and six part time positions. We eliminated teachers since their duties focus on technology integration in the instructional setting. Computer responsibilities outside of their contract are usually classified as extra duty and, therefore, subject to compensation.

We found the department's use of part-time individuals to be an effective measure. There are three part-time high school students earning \$6.50 an hour, two part-time college students and one part-time parent earning \$11.00 an hour. This represents a substantial savings over the \$25 to \$30 hourly wage associated with a service contract or the salary of a full time employee. Yet even with the use of part-time workers, the district is not able keep up with service requests. The team was able to determine that it takes the district anywhere from one day to three weeks to resolve a problem. The district currently budgets \$12,000 for the part-time positions. If you split the available funding between the \$6.50 and \$11 an-hour positions on a 33/66 percentage, respectively, the district funds the MIS department for an average of one hour a day for each part time group.

In addition, the school fiscal year conflicts with the MIS operational year. Computer initiatives are generally performed during the summer months when most of the facilities are vacant. However, since July and August represents the beginning of the fiscal year, the department hesitates on employing the students in case problems emerge when school is in session. The lack of a complete staff, however, forces the district to use the part time help through out the school year so that by year end, there is not enough funding left to begin summer projects in June.

The team researched the proper staffing of a MIS department. We found various ratios of technicians to computers and settled on a 1:125 ratio. We feel this ratio adequately supports the general organization with a desktop system, a standardized suite of applications, access to file and printer servers, and host-based legacy applications. It should also be enough to handle the tasks associated with network administration and computer repairs. Based on the 1:125 ratio, the district should employ 7.6 FTE technicians. This number does not include the technology supervisor, since that position has the responsibility for the department and the supervision of 8.5 computer teachers. Because the district engages in technology not found in the general office setting such as web sites, network administration, computer upgrades and repair, the district needs to employ technicians with multi-level skills.

The team attempted to perform a work flow analysis to justify the addition of five more positions. However, the department does not maintain a work order request system. In November 1997, the technology supervisor developed work order forms, but the team found inconsistent use of the form. Based on the existing forms, we found computer repairs that took

days, and some times longer, to complete. In addition, once the work order was completed, it was placed in a box with other requests. Had the department develop a database of work orders, we may have been able to justify additional staffing needs. Through the use of a database, the department would also be able to target computers with higher maintenance cost for replacement. The transportation and maintenance department is in the process of purchasing a new work order software package for their department. Its old work order program could easily be adapted to a MIS work order system.

#### **Recommendation:**

**Maintaining a work order system for the MIS department will help identify appropriate staffing levels and defective equipment. With the planned integration of computers into all classrooms, it is even more important that the department develop a computerized work order system. It is, therefore, recommended the district transfer the old maintenance work order system to the MIS department for conversion into a computer work order system.**

To employ five additional FTE technicians would cost the district approximately \$200,000 plus benefits. However, because of the team's inability to perform a complete staffing assessment based on the department's workload, we cannot support the hiring of additional full time staff. Still, the department desperately needs additional help. The team spoke with a local university staff member who feels that their computer science program could supply the district with much needed help. Through internships and on campus recruitment, the district could attract college students, who would be capable of meeting the district's needs for the same \$11 per hour wage or lower. The district should also employ additional high school students at the \$6.50 wage.

#### **Recommendation:**

**It is recommended that the district increase the part-time work force in the MIS department by six part-time positions and increase the existing part-time hours. Funding should be for an average of 16 hours per week, at a cost to the district of approximately \$70,000.**

**Revenue Enhancement: \$70,000**

The team found some confusion in the organizational reporting of the MIS staff. Contrary to the MIS organizational chart, it appears the coordinator of administrative computing operations reports to the business administrator instead of the supervisor of technology. While the coordinator helps support the business software package, we found her performing tasks that are usually performed by the business administrator, such as, generating standard financial reports already incorporated into the business package. At the same time, because of staffing problems, the supervisor of technology would send her to other schools to handle computer emergencies. The confusion of organizational reporting is part of the lack of prioritization of computing services. The business office feels that its computer needs should have priority over the schools. However, it appears that the supervisor of technology ranks school computer problems as the priority.

The team also feels that maintaining three small computer offices, two in the high school and one in the administration office, compounds the existing problems. The high school houses an unsecured supply room and supervisor of technology's office. The administration building has a secured computer room complete with storage. The limited size of both offices contributes to the decentralized location of the districts file servers. The team often witnessed the MIS employees going back and forth between the various buildings performing network administration and collecting parts for computer repairs. The district can improve the department by centralizing all file servers.

At the time of the report, the file server at Tollgate was in a non-air conditioned conference room and a server and parts room at the high school doubles as a career planning office. Both are in non-secured areas and subject to tampering by unauthorized personnel.

### **Recommendation:**

**The lack of prioritization and a de-centralized department contribute to the inefficiency of the computer services. It is, therefore, recommended that the district prioritize the department's responsibility and centralize all computing operations into the administration building. By relocating the director of pupil services, the district could expand the current computer office to house the entire department, establish a secured inventory area (see computer inventory), and relocate all file servers to the one office. The maintenance department estimated building modification costs at \$4,000. The organizational improvement of the department justifies the expense.**

**Value Added Cost: \$4,000**

### **Computer Inventory**

As part of our review, the team requested a complete software, computer and parts inventory. Without a complete computer department inventory, the district cannot maintain inventory control or support an insurance claim. Inventory lists are also critical as new purchases change the district's appraisal inventory. The department supplied the team with a software and computer inventory, but not a part's inventory. We found the lists not adequate for our review or for an insurance claim.

The computer inventory was a printout of the computer assignments on the respective network. It did not include computer manufacturer, type and peripherals. The software list was incomplete, as it listed one version of the district spreadsheet and three versions of the word processing package. The team was able to determine that the district has at least three versions of the spread sheet package and five versions of the word processor software. The complete lack of a parts inventory prohibits the department from determining either inventory losses or the need to order additional parts.

All computer parts are located in an office across from the supervisor of technology office. The room also serves as a district computer storage facility and career planning office. We found that the district uses the front area of the computer lab room in the Tollgate School as a parts storage area, which is not a safe environment for children. Both areas are accessible to non-department personnel. As mentioned above, there is no inventory listing for either area.

HVRSD also needs to develop a supply of inventory parts to support the 1,000 computers. An inventory of hard drives, video cards, motherboards, memory, cables and other parts are necessary for minimizing down time. During our tour, the department had one hard drive and video card available as back up parts. Emergency purchases are made on a routine basis, and often, department personnel use personal credit cards if the vendor will not accept a purchase order number over the phone. The district should be careful not to create a large parts inventory, as computer parts reduce in price over time.

#### **Recommendation:**

**Inventories are critical to insurance claims and inventory control. It is imperative that the district perform a complete inventory of hardware and software. Once the lists are complete, the department should verify that it has the necessary licenses for the software. In addition, a limited parts inventory should be developed and located in an area accessible to department personnel only.**

#### **Technology Purchasing**

The team found the department extremely efficient in the purchase of computer parts and supplies. Department personnel constantly scour computer fairs and use mail order whenever possible. As a result, the department saved approximately \$5,000 over a seven-month period. Additionally, department personnel negotiated printer cartridges 60% below retail prices at a computer show. We caution the district to insure that multiple purchases of a specific item do not violate bidding laws.

The district purchases all computers under state contract. The department feels it offers the greatest protection in maintaining uniformity for all district computers. The district could realize at least 30% savings by issuing RFP's for computers. By including hardware specifications in the RFP, the district would maintain the uniformity that the department seeks. If the district chooses to join the West/Central Cooperative as mentioned in the business section, the district can save money over state contract by purchasing computers through the cooperative.

#### **Recommendation:**

**Purchasing computers under state contract vendors increases the cost of the computer by as much as 30%. Given the level of expertise of the MIS department, the team feels the district should issue RFP's for computer purchasing. It is, therefore, recommended that the MIS department issue RFP's for all future computer purchases. In addition, participation in the West Central Cooperative may yield additional savings.**

The team found department personnel using personal credit cards for purchasing parts or merchandise. When the parent-teacher organization at Tollgate donates computer-related items, the computer coordinator uses a personal credit card and submits the receipt to the PTO for reimbursement. The supervisor of technology uses personal credit cards to make purchases when a vendor will not accept a verbal purchase order for an emergency purchase.



### **Recommendation:**

**The use of personal credit cards by department members is inappropriate. Maintaining an inventory of parts and using a petty cash account would solve this problem. It is, therefore, recommended that the district create a \$1,500 petty cash account for the MIS department. Considering the price of computer parts, the petty cash account should have a maximum purchase cap of \$300 dollars. Once the MIS department has established a parts inventory, the district should reduce the petty cash account to \$ 1,000 dollars.**

### **Community Support**

The district benefits from strong community support. Much of the wiring in the school district was performed by community volunteers. The technology committee has volunteers from those employed in the industry and a prominent university. Tollgate routinely receives Apple computer donations, enough to outfit the entire lab with parts to spare. It is estimated that community support has saved the district over \$100,000 in computer related expenses. In addition, the parent-teacher organizations donated over \$14,000 in computer technology to Bear Tavern, Hopewell and Tollgate Schools.

### **Mercer Net**

The district participates in Mercer County Community College's Mercer Net program. Essentially, the program networks local area school classrooms into one instructional setting. It allows schools to offer specialized instruction that otherwise would be cost prohibitive. One classroom in each school has video sending and receiving equipment that allows viewers to see all participants during the class room instruction. Installation and cost of the equipment was covered with grant funds through Mercer Net. However, the district did have to sign a participation contract to the year 2000. Beginning July 1, 1998, the district would have to pay a monthly charge of \$930 to cover the cost of internet access. This charge is in addition to what the district currently pays for it's own internet access. At the time of our review, Mercer Net was without a coordinator and subsequently much of the instructional benefit the district hoped to receive has not materialized. Further program offerings and participation was limited. In fact, we found the system to be nothing more than a video conferencing center between the schools participating in the program. During our tour, the Mercer Net room was used as a study hall.

### **Recommendation:**

**The district is currently locked into Mercer Net until the year 2000. In its current state, there appears to be very little benefit to the students. It is, therefore, recommended that the superintendent and the supervisor of technology meet with Mercer County Community College and other participating school districts in an effort to revitalize the Mercer Net program.**

### **Internet Access**

HVRSD has internet access for all school buildings at an educational discount cost of approximately \$1,400 a month. Since the district currently has a T1 communication line, the MIS department should explore the option of becoming an internet service provider. The district has strong teacher parent organizations and community support. The team feels the district may

generate revenue by becoming a reseller of internet access to the community. The additional revenue could offset the additional staff the department desperately needs.

**Recommendation:**

**The district should investigate the possibility of becoming an internet service provider. Any decision relative to this should be reviewed by the board attorney.**

**Conclusion**

HVRSD has invested heavily in technology, but not in the support staff required to maintain such a large infrastructure. As of September, 1998, the district will have approximately four FTE technicians responsible for 950 computers. This is a ratio of 1:250. If the district chooses to maintain and expand technology, it must take the steps now to create one centralized department. The understaffed department and multiple offices directly contribute to many of the inefficiencies cited in this section and the complaints we received during our review.

**COMMUNICATIONS**

The district has six cellular phones and funds them through an open purchase order for \$5,000 annually. The phones are issued to a board member, superintendent, business administrator, facilities director, athletic director and the athletic trainer. In our review of the phone bills, we found phone numbers not associated with the HVRSD telephone exchange and several made from out of the regional calling area to locations such as Wisconsin and Massachusetts. Cell phones are a costly convenience when school or office phones are close by. We also found phones not used, but still incurring the monthly service fee. The LGBR recognizes that the district may feel the need to communicate with its top administrators, however, the use of pagers or the current communication system in the transportation department (see below) would serve the same function as the cell phones, but at a reduced cost. The team also believes that the issuance of cell phones to board members is an inappropriate cost to the district.

During the six weeks of the LGBR visit, we rarely saw the recipients of the phones out of the office. Perhaps a more efficient communication system would be to purchase additional portable radios similar to the FCC licensed communication devices utilized in the transportation and facilities department. Through the use of mobile and hand-held walkie-talkies, these staff members have the ability to remain in contact with its work force at all times. The range of their equipment, through the use of existing relay towers, stretches from Somerset to Burlington county, more than enough for the district to contact administrators (or vice versa) who are not in the office. The cost of the units would be limited to a one-time purchase of \$500 for a mobile unit and \$700 for a hand-held unit.

**Recommendation:**

**Cellular phones represent a luxury which costs the taxpayers \$5,000 annually. It is, therefore, recommended that the district terminate the cellular phone service and invest in the purchase of additional communication devices currently in use by the transportation and facilities department.**

## **Cost Savings After Initial Investment: \$5,000**

### **Pagers**

The team identified three pager carriers providing twenty-three pagers to district employees. We found pager service rates ranging from \$ 7.95 to \$19.95 a month. The district spends approximately \$2,303 dollars a year for this service. The review team compared these costs to current market and found plans ranging from \$ 2.49 a month, not including the cost of a pager, with a 100 calls per month limitation to \$ 4.95 a month, including a leased pager, and unlimited pages.. In addition, the use of three different services was a result of individual departments negotiating separate contracts with the vendors.

### **Recommendations:**

**The business office should be responsible for negotiating contracts for all services the district may require. Individual departments procuring their own services is not an efficient use of district funds or personnel. In addition, since paging services have become competitive, it is recommended that the district centralize the paging service, evaluate current usage and select the appropriate plan to maximize savings.**

**Cost Savings: \$ 1,000**

### **Phones**

From July, 1997, through April, 1998, the district made approximately 160,787 local and toll calls and 29,959 long distance phone calls at a cost of about \$45,000 and \$15,500, respectively. The team identified 2,375 calls to the local and long distance directory assistance service at a cost to taxpayers of \$1,382. We found numerous cases where the caller utilized the automatic dialing feature costing the district additional fees. The team feels the district should implement the necessary policy to reduce the number of directory assistance calls, and prohibit users from having directory assistance automatically dial the number.

Our review also discovered 31 calls made to foreign countries originating from Central High and Toll Gate. While Toll Gate's international phone calls were all to Canada, we found calls to the Ukraine and multiple calls to France and Egypt, which were made from the high school. In comparing the phone calls to the phone log the team found the calls were not accounted for, as required by district policy.

As a result of not being able to account for the international phone calls, the team examined the phone logs from two schools. We found that during a two-month period less than 7% of the calls could be accounted for, in spite of a district policy that requires all calls to be logged. In general, secretaries complained that they can spend "hours" attempting to match the phone bills to the logs. One secretary indicated that she created an historical database of outgoing calls and users using the phone logs. Her method allows her to match prior phone logs to the current phone bill. The team was informed that several of the schools have phones installed in each classroom with access into the phone system via personal identification numbers, and that the district had approved funding for classroom telephones to be installed in the rest of the district during the 1998-99 school year. Through the system, the district can recoup and account for many of the calls made. The team suggests that, once the installation is complete, the board adopts a policy

that stipulates all calls should continue to be logged and that unaccounted calls listed under the PIN number be charged to the user.

The team also noticed that the Bear Tavern School participated in a program called “Intralata” provided by the district’s long distance phone service. The program is equivalent to the standard toll call program provided by the local telephone company. We contacted both phone services and found that the district was being charged \$0.16 a minute for toll calls by the local phone company and \$0.10 a minute by the long distance company.

#### **Recommendation:**

**From July, 1997 through April, 1998, the district spent \$5,704 on toll calls under the local telephone company. The same calls under the “Intralata” program would have cost \$3,565. It is, therefore, recommended that the district switch their toll service from the local phone company to the long distance phone company and reduce the number of directory assistance calls, for a savings of \$3,000. Tighter control and accountability of personal calls would reap additional savings.**

**Cost Savings: \$3,000**

#### **FOOD SERVICE (ENTERPRISE FUND)**

HVRSD began competitively contracting food service operations in the 1993/94 school year. The business office last issued an RFP at the end of the 1994/95 school year that offered a one year contract with an option for two additional one year renewals. The current vendor’s contract expires June 30, 1999, at which time a new RFP will be issued.

The program offers lunches at all schools. In general, we found the facilities varying in conditions. Recent construction to Hopewell and Tollgate included modernizing the cafeterias. However, the construction at the High School and Bear Tavern did not address the facility needs of the food service program. For example, the high school has two small cafeterias that creates a tendency for lunch paying students to eat in one room and “brown baggers” to eat in another. The team noticed food service workers using school desks as worktables. In addition, it appears that the cafeteria has substandard lighting and old refrigeration units. Timberlane needs replacement ovens and additional storage space. Bear Tavern also has a storage problem along with an extremely small kitchen. Cafeteria tables are used as serving tables.

In an effort to improve profitability, the current vendor has invested funds in the lease purchase of a dishwasher at the high school, and the vendor also paid for a fryer. The existing dishwasher was not heating the water to Department of Health levels. The fryer was needed to improve the quality of food served to the students. The vendor also had to supply the district with a computer. Normally, the funding for these items is the responsibility of the school district.

Based on limited documentation provided by the district, it appears the current vendor has improved the overall lunch participation rates. When the business office issued the 1996 RFP, they included student lunch participation rate averages of 18%, 16% and 16% for the months of

September, October and November, respectively. The 1996/97 food service audit review showed increases to 34%, 35%, and 36% for the same time period.

Since competitive contracting began in 1993, the district has been able to reduce the amount of district funding. Operating revenues have increased, while operating losses have decreased. The following table shows the financial reporting of the enterprise fund as reported in the CAFR reports:

#### **ENTERPRISE FUND**

	<b>1996-97 School Year</b>	<b>1995-96 School Year</b>	<b>1994-95 School Year</b>	<b>1993-94 School Year</b>
Operating Revenues	\$514,276	\$491,417	\$485,123	\$379,375
Operating Expenses	\$590,836	\$575,818	\$565,152	\$478,792
Operating Loss/Gains	(\$76,560)	(\$84,401)	\$(80,029)	\$(99,417)
Non-Operating Revenue	\$63,077	\$46,686	\$46,739	\$20,970
Board Subsidy	\$12,000	\$15,000	\$40,000	\$103,756
Net Income/Loss	(\$1,483)	(\$22,715)	\$113,114	\$90,399
Retained Earnings 7/1	\$90,399	\$113,114	\$106,404	\$79,095
Retained Earnings 6/30	\$88,916	\$90,399	\$113,114	\$106,404

Note: Board Subsidy is generally included in "Non-Operating Revenue."

We firmly believe, based on prior reviews, that enterprise operations should be profitable and free of board subsidy. As this table indicates, the board contributed \$170,756 dollars between 1993 and 1997. The board contributions hide the true net income/loss. Excluding board contributions for the same time period, instead of showing a \$179,315 net gain, the district actually incurred a \$162,935 net loss. Still, it is important to note that board subsidy and net income losses have decreased over the four-year period. The current vendor estimates that the district will report a profit for the 1997-98 school year and they project that the 1998-99 school year will be the first year in which the fund will not need the board subsidy, if the board approves the proposed new lunch rates.

The team also found that the district provides a vehicle to the food service company, which is maintained by the transportation and maintenance department. This amounts to the transportation and maintenance department's subsidizing the enterprise fund with vehicle maintenance funds while preventing the district from knowing the true cost of the food service program. The 1997/98 cost of maintenance for the vehicle was \$925 dollars.

#### **Recommendation:**

**Revenues generated under the enterprise operation cannot be transferred or used for any other district programs. Since the vehicle is not used for any other purpose, maintenance costs should be charged to the food service program. Therefore, it is recommended that all maintenance expenses be reimbursed by the enterprise fund.**

### **Vending**

The high school houses vending machines that are operated by a private vendor. The vendor splits the profits with the high school student government. Moneys are placed in the student activity fund, which has a certificate of deposit worth \$75,000 in addition to the activity checking account. There is a company whose product meets the Bureau of Child Nutrition program guidelines and generates approximately \$.12 to \$.17 profit per child per day. Installation and the vending machines are free. Based on current enrollment, this would produce an annual profit of \$17,894. This additional income could eliminate the need for board subsidies, as well as, continuing to provide income to support student activities.

### **Recommendation:**

**The district needs to work closely with the food service management program to identify ways to make the enterprise fund self-sufficient. Therefore, it is recommended that the district replace the current vending machines with new machines and products that will produce a greater return than the present line.**

**Revenue Enhancement: \$17,894**

**In addition, the business administrator and board should meet with the food service management company to identify additional ways to increase participation in the lunch program. The conditions mentioned above warrant attention and any expenses associated with the program can be funded through the enterprise fund.**

## **CUSTODIAL SERVICES**

LGBR performed a complete custodial staffing level and cost analysis based on two benchmarking studies. The Association of Physical Plant Administrators of Universities and Colleges (APPAUC) issues a study that provides appropriate staffing levels and The American Schools and University Facilities Purchasing and Business Administration, (AS&U) compiles a report which provides information on competitive cleaning costs on a regional basis. The APPAUC developed guidelines identifying the number of custodians required to clean specific areas, such as washrooms, offices, and classrooms at a specific cleaning level. The AS&U researched the New Jersey and New York area and established a custodial payroll cost of \$1.81 per square foot benchmark for the 1997-98 school year. In addition, the AS&U provides an average payroll cost per pupil cost of \$275.60.

The APPAUC developed a staffing level assessment that determines the number of custodians required to achieve a specific cleaning level. The study identifies five cleaning levels: Level 1 - Orderly Spotlessness, Level 2 - Ordinary Tidiness, Level 3 - Casual Inattention, Level 4 - Moderate Dinginess and Level 5 - Unkempt Neglect. As part of the assessment, the team toured the facilities. Our review found a consistent cleanliness level of Ordinary Tidiness or Level 2.

Also incorporated into the study are specific considerations for the cleaning of classrooms, science labs, offices, washrooms, locker rooms, storage and public areas. We then compared our findings to the staffing level assessments. The results are listed in the table below.

Our analysis usually focuses on the most recent complete school year. However, because of recent additions, the team focused on the 1997/98 school year instead. During the review period, the team requested information regarding the cleaning square footage area in each district building. The business office provided a staffing level analysis performed prior to the completion of the new additions. The transportation, maintenance and custodial office developed numbers from the architectural drawings of each building. Finally, the team found the gross square footage listed in the district's appraisal report from September, 1997. The analysis of the data from the three sources found substantial differences in the square footage of all three sources. The business office's staffing level assessment used a total square footage of 556,563, the transportation, maintenance and custodial office developed a footage of 398,191 and the appraisal report listed the gross footage as 508,924.

Based on experience, the team multiplied the gross footage by .9 to determine the interior cleaning area of 456,076. Because of the detail, the transportation, maintenance and custodian's data was used for the staffing level assessment. Using the 1997-98 custodial supply account, we estimate the district will spend approximately \$67,683 on cleaning supplies. Using the appraisal square footage we determined a supply cost per square foot of \$0.15.

<b>Hopewell Custodial Staffing Level/Cost Analysis</b>						
<b>School Name</b>	<b>Cost Sq./Ft</b>	<b>Number of Custodians</b>	<b>LGBR Cleaning Assessment</b>	<b>Level 1 Spotless-ness</b>	<b>Level 2 Tidiness</b>	<b>Level 3 Inattention</b>
(# of janitors needed to achieve level)						
Admin Bld.	\$ 1.39	1(PT)	Level 2	1.65	.96	.35
Bear Tavern	\$ 3.43	4	Level 2	6.93	3.75	2.04
Hopewell	\$ 2.93	6(2PT)	Level 2	5.78	3.10	1.80
Tollgate	\$ 3.49	3	Level 2	4.83	2.55	1.37
Timberlane	\$ 2.13	7(1PT)	Level 2	14.87	8.01	5.05
Central High	\$ 0.87	8	Level 2	16.31	8.73	5.56
Summary	\$ 2.62	29	Level 2	50.82	27.10	16.15
HVRSD Total Sq./ft	\$ 2.62	AS&U cost per Sq./ft	\$1.81			
HVRSD cost per pupil	\$363.40	AS&U cost per pupil	\$275.60			

Our analysis identifies three specific issues. The first issue deals with the variances in cost per square foot among the facilities. This resulted from the increase in the custodial staff because of the recent additions. Since most new employees are hired at the bottom of the negotiated pay scale, the cost per square footage decreases for those newer facilities. The team feels that eventually the custodial cost in all the buildings will be similar.

The second issue deals with staffing problems at several of the schools. Based on the above chart, the district could better utilize its custodial staff by splitting personnel between schools. For example, it appears Hopewell Elementary is over-staffed with six employees (4 full time and 2 part time) and should have a Level One assessment. Additional staffing problems occur at Tollgate and Timberlane, which appear to be under-staffed and Central High and Bear Tavern appear to be over-staffed. As the table indicates, the district could better utilize their staff by reassigning and “sharing” custodians between schools. The apparent over-staffing of employees also indicates that the district could eliminate the cost of substitute custodians.

The final issue deals with Hopewell’s \$2.62 (.80 above average) per square foot cost as compared to the \$ 1.81 AS&U-New York and New Jersey regional payroll cost for school facilities. Using the appraisal company’s square footage and factoring in a \$0.15 cost per square foot for supplies, the district could save \$367,175 by contracting custodial services. Additional savings would come from the elimination of \$25,200 appropriated for substitute custodians.

The team recognizes the district’s concern about dealing with private vendors in school buildings when children are present. The district can deal with this issue by continuing to employ one custodian per school who would be on duty during those hours when the school is in session and contracting for custodial services to occur after school hours. Non-school groups, which use the buildings for activities, would continue to reimburse the district as per district policy.

#### **Recommendation:**



**Given the significant savings the district would realize through competitive contracting, the team recommends that the district privatize custodial service for savings of approximately \$ 367,175. As a result of privatization, the district would realize an additional \$ 25,200 through the elimination of custodial substitutes.**

**Cost Savings: \$392,375**

**An option would be to reduce the total custodial staff by two full time positions resulting in approximate savings of \$ 94,152.**

**Optional Cost Savings: \$94,152**

## **TRANSPORTATION**

Hopewell Valley Regional School District covers a large geographic area (approximately 60 square miles), with a diverse traffic pattern of major highways, small rural roads and two busy town centers. The district has traffic patterns that consist mainly of commuters on major thoroughfares on their way to the major highways or to train stations in Princeton and Princeton Junction. Route 31, which is the major western area north / south highway, is very heavily congested, especially during the morning rush hour when students are going to school. As a result, buses have a difficult time navigating streets and roads at this time.

The district provides busing to 2,528 students on 77 routes. For a variety of reasons, courtesy busing is provided to 647 students. Not all buses are running at capacity. In fact, out of the 77 routes, only 37 are running with 40 or more students and an additional 16 buses run with 20 or more students. This leaves 24 buses that carry less than 20 students. Routing was also reported to be inefficient. An example given by parents is that there are 2 to 3 buses with routes in the Brandon Farms Development which are consistently half filled.

The district provides Aid In Lieu of transportation to 253 students who attend other than district schools. The money is paid directly to parents to lessen the burden of providing busing as mandated. They are reimbursed up to a maximum, which is set by the Department of Education on an annual basis. If the cost of transporting these students is higher than this maximum, the district is obligated to pay Aid in Lieu of transportation and the parents must provide their own transportation.

In bidding its routes, the district must project its transportation needs based on the anticipated growth in enrollment over a five-year period in a rapidly growing community. The district also places middle and high schools on the same bus routes since the schools are adjacent to each other. Elementary schools have individual routes since they are located some distance apart.

Most of the students in the High School, the Middle School and the Bear Tavern School are transported. Most of the students in the other two elementary schools, except for those residing in the Brandon Farms development who attend Hopewell Elementary, live within walking distance to their schools. Some of these students receive courtesy busing. The district has attempted to institute subscription busing in recent years for these students. LGBR supports this

concept, plus the use of crossing guards and the installation of sidewalks, where needed, to reduce or eliminate courtesy busing.

According to the 1996-97 CAFRA report, the district spent \$1,132,935 on regular education transportation. The district estimates it spent \$1,156,637 in 1997-98. Information provided by the district's October, 1997 transportation report stated that approximately 25 % of the students transported receive courtesy busing. If the district were to institute subscription transportation for all these students, the district could save about \$289,159. This calculates to an annual subscription charge of \$447 per student. The district could institute varying payment plans to assist families with these costs, such as reduced rates for multiple children families and reduced, or no, fees to families eligible for free or reduced priced lunches.

The County Superintendent of Schools must approve all school district transportation contracts. Recently, the County Superintendent threatened to reject all contracts due to a minor procedural error. The contracts were bid properly and in a timely manner. However, they were not submitted to the county in a timely manner. This was allegedly caused by a staff turnover and the lack of a purchase order tracking system. The County Superintendent indicated that all contracts should be rebid due to the deficiency. If this were to occur, it could significantly increase the cost of transportation for the district by an estimated \$200,000. Hopefully, this procedural error can be resolved without having to rebid the routes.

Out-of-district transportation is provided by a jointure with the county. This is not without problems in coordination and timing. The county system had scheduled some students to be on a bus for over three hours daily. Should the district be able to opt out of this arrangement and form alternate jointures with contiguous districts, efficiency and savings could result.

#### **Recommendations:**

**The district should institute subscription busing to replace courtesy busing. If the district instituted subscription busing, with consideration given for families with more than one child or with economic hardship, the saving to taxpayers would be at least \$200,000.**

**Cost Savings: \$200,000**

**In lieu of charging high school students a fee to park in the school lot, the district should consider a policy, whereby, a student relinquishes his seat on the school bus for a permit to park in the lot.**

**The district should consider rebidding its transportation. There are 77 routes and the district paid \$1.156 million last year for regular transportation, an average cost of \$15,013 per route. If the district could conservatively reduce its number of routes by 12, it could save \$180,156.**

**Cost Savings: \$180,156**

**The district should pursue shared service transportation opportunities by forming jointures with contiguous districts for out-of-district transportation. The office of Pupil**

**Transportation in DOE could assist in providing information about existing consortiums and in forming new ones.**

**A coordinated effort should be made by the Director of Pupil Personnel Services and the Director of Transportation to provide cost effective transportation for classified students in outside placements.**

**Total Transportation Cost Savings: \$380,156**

## **FACILITIES**

The district has made substantial improvements to its facilities in recent years as the result of two successful bond referendums in 1992 and 1996. The first was for renovation and repair, while the second was for building additions. The work was done to correct years of neglect, to meet the needs of a growing enrollment and to provide facilities capable of delivering an appropriate educational program to the students of the district. Results, for the most part, were very positive with upgrades and first class additions added to three of the schools. However, some of the contractors have failed to provide a quality level of performance, which resulted in some jobs being done poorly and others being incomplete. There are law suits filed in order to remedy the problems.

Further, there is evidence of extensive water damage in several of the buildings. Timberlane and Bear Tavern Schools have substantial roof leaks and/or structural damage. There are also substantial leaks in the lower level classrooms around the foundation in Toll Gate School. Some of these leaks may have caused structural damage. These conditions have existed for some time without proper repair and attention, in spite of requests from the principals. Reportedly, there is a Board Policy that prohibits repairs while school is in session. A review of the district's Board Policy Manual failed to disclose such a policy. The erosion and continuing damage caused by heavy rains will escalate the costs if conditions are not corrected soon.

The board seems to place a higher priority upon projects such as stage lighting and cosmetic remodeling than on repairs, which address conditions that are hazardous and unhealthy, such as the aforementioned water damage. Attention should be given to conditions which impact health and safety.

### **Recommendation:**

**The board should adhere to its approved Five-Year Maintenance Plan. Exceptions should only be made for emergencies and to address the priority health and safety issues that exist in the district.**

### **Storage Areas**

Another critical area of concern noted is the lack of storage space throughout the district. This necessitates the purchase of supplies and materials in smaller quantities and at higher prices than would occur if adequate storage was available. This also increases the number of purchase orders required.

Examples of tight storage conditions include the use of the second floor ladies room in the administrative offices to store district records; the use of the metal shop in the high school (room 113) to store business office records and the use of a portion of the basement of Hopewell Elementary to store unused furnishings and district files which eliminates the use of this area for building storage needs. Several pieces of grounds equipment are left outside, exposed to the elements, at the maintenance facility behind the administrative offices and the storage shed at the Bear Tavern School was dismantled and not replaced.

### **Use of School Facilities**

Community organizations are permitted, under specific circumstances, to utilize school facilities. Board policy (# 1330, revised 1994) specifically states the types of activities which are permitted. The board should consider expanding the use of district facilities by community organizations and a fee schedule should be developed for such use, which would cover district expenses.

### **Recommendation:**

**If the board would expand the use of school facilities by community organizations and increase the fee schedule by 10 % to meet current custodial costs, an income of over \$3,900 would be generated.**

**Revenue Enhancement: \$3,900**

### **Work Order Requests**

The processing of work orders for repairs and maintenance is handled by the Office of Buildings and Grounds. The Director of Buildings and Grounds also serves as Director of Transportation. Concerns were raised throughout the district relative to the timeliness of work orders being completed. The maintenance office keeps records of all work requests, which include all the pertinent data related to the task. There were over 1,400 requests from Timberlane for the period 12/1/95 to 6/8/98. Hopewell Elementary School's custodial office had 80 pages of requests with many of them being repeat items. Work orders on file did not indicate the status or the priority of the request. It was also noted that there was no consistency in the actual work order forms used from school to school.

Team observations based upon a review of work orders indicate that there are some administrative problems. Work orders are not always explicit concerning the details of the work to be completed and the person submitting the request is not always informed of the status of his/her request. Organization is needed to address these situations expeditiously.

## **Recommendations:**

Several observations relative to possible changes that could help provide relief for some of the facility needs include the following:

Consideration should be given to using the old gymnasium that is part of the administration building for central storage, thereby, returning some storage space for use by schools. The part time use of this facility by the YMCA could be rescheduled to one of the auxiliary gyms in the Middle School.

Shared service arrangements should be negotiated with Hopewell Township for the use of unused maintenance bays in the township facility which would free the space behind the administration building for maintenance equipment storage. This would be considerably less costly than constructing new storage facilities.

The metal works room (# 113) in the high school, currently used for storage, should be converted into a television and production studio to enhance the program's setting and permit expansion of program offerings. This move would make available a much needed classroom.

Another option would be to convert room 113 into two health education classrooms. The building housing the transportation and maintenance offices is not appropriate for this use. These offices could be relocated to the extra conference room in the administration building. The spaces where the offices are currently housed could then be used for bulk storage.

Expand the computer room space to allow for the centralization of computer operations.

Increase the facilities use fee for district facilities as proposed to realize increased income of approximately \$3,900.

## **DISTRICT OWNED PROPERTY**

School districts have the obligation to provide adequate educational facilities in which to educate their student population. Serious considerations must be given to the size and location of school sites and to future school site needs. The LGBR review of the Hopewell Valley School District's land holdings indicated that the district owns nearly 250 acres of tax-free real estate. The following chart lists this acreage:

## HOPEWELL VALLEY REGIONAL SCHOOL DISTRICT LAND HOLDINGS

SITE LOCATION	PARCELS	TOTAL ACREAGE
Central High School	38.82 acres	38.82 acres
Timberlane Middle School	43.08, 2.76, & 62.44 acres	108.28 acres
Bear Tavern School	27.32 acres	27.32 acres
Hopewell Elementary	14.28, 8.67, 3.52 acres	26.47 acres
Toll Gate School	9.45 acres	9.45 acres
Administration Building	7.60 acres	7.60 acres
Vacant Land	30.31 acres	30.31 acres
		<b>248.31 TOTAL ACRES</b>

**NOTE: This does not include nine acres dedicated by the Brandon Farms development for an elementary school, raising the total to 257.31 acres.**

A survey of comparable area school districts revealed that: Princeton Regional School District with six schools and an administration building has a total of 89.9 acres (less than Timberlane alone); East Windsor School District with six schools and an administration building, has a total of 151.99 acres; Ewing Township School District with five schools, an administration building and a building for support services, has 133.5 acres; and Lawrence Township School District with seven schools and an administration building, has 97 acres.

Population projection data provided by the district anticipates an increase of 2,679 residents for the period 1998–2003. Hopewell Township's population is projected to increase by 2,736 while Pennington is projected to drop by 60 residents and Hopewell Borough is expected to remain stable. The population changes for 1993-1998 were relatively similar. Projected population growth usually results in the need for additional school facilities. The area experiencing significant population growth is Hopewell Township. The school district asked the county to donate property for future school needs but the county rejected the request.

Hopewell Township, unlike Hopewell and Pennington Boroughs, has a considerable amount of land available for expansion. This is evident when one looks at the acreage surrounding the High School, the Middle School and Bear Tavern School. A total of 174.42 acres surround these schools. The township is also the only area where there is anticipated future population growth.

Existing acreage would appear to be more than adequate to meet any and all expansion needs that might occur in the township, especially when there is an additional nine acres already dedicated for an elementary school in Brandon Farms. Given this circumstance, it seems reasonable that the district consider reducing its property holdings.

### **Recommendation:**

**The district should consider offering some of its land to the township to be developed for recreational use or to meet other appropriate township needs while preserving the quality of open space that presently exists. The township might consider pursuing Green Acres funding to preserve these open spaces.**

## **SPECIAL EDUCATION**

Students who have been identified as learning disabled and classified as having one or more disabilities are provided with an appropriate individual educational plan as prescribed by federal and state law. This plan prescribing the setting, as well as the necessary aids and appropriate related services, must be adhered to in order to assure meeting each classified student's educational needs.

The district has endeavored to deliver a quality special education program for its classified students, in accordance with state guidelines and federal regulations. Through various methods, there is a concerted effort to provide the remediation necessary to meet the needs of every student in the program(s). Staffing to deliver the various aspects of this program during the 1998-99 school year is expected to include the following: seven special education teachers at the high school; nine at the middle school; ten in the elementary schools; a half-time person for both the pre-school and resource room programs; nine child study team members; two full time and three part time speech/language specialists; an occupational therapist and three secretaries.

At the present time the guidance and media supervisors, who have district wide responsibilities in their own areas, share the duties of supervising special education. This type of structure is felt to limit the time they can devote to addressing special education issues and responsibilities. With about 120 classified students at the high school, it would appear that consideration should be given to making an allowance that would provide a more suitable supervisory setup.

### **Recommendation:**

**It is recommended that the district review the supervisory structure for special education. Based on the number of students and staff involved in this program, consideration should be given to reorganizing administrative staff in order to provide appropriate leadership for this program.**

### **Child Study Teams**

The district has eight full time and two part-time (social workers) child study team (CST) members for an equivalent of nine positions. These staff members are organized into three teams. Each team is composed of three members including a psychologist, a learning disability teacher consultant and a social worker. All team members hold the appropriate state certificate for their respective positions. One team is assigned to the high school, a second team is assigned four days per week at the middle school and one day at Toll Gate School. The remaining team divides its time between Bear Tavern and Hopewell Elementary Schools. As of December 1, 1997, the CSTs were assigned as managers for a total of 499 cases. In-district placements accounted for 426 classified students. Approximately 10 % (49) of the students were out-of-district placements, while another 24 classified students were placed in non-public schools. Included in the regular functions of the CST were the determination of special education eligibility, re-evaluations, developing and monitoring individualized educational programs, conducting placement conferences and consultations, testing and other related activities or services.

One of the consistent concerns raised during the review was the ever escalating cost of special education, its impact upon the district's budget and, ultimately, its effect on the taxpayers. The New Jersey State Board of Education adopted the Special Education Regulations, N.J.A.C. 6A:14-1.1 et. seq. on June 3, 1998, effective July 6, 1998. As part of the regulation, districts may have reductions in the number of re-evaluations they will be required to perform. The special services department annually processes about 350 I.E.P.s (1997-98) which include 70 re-evaluations. The new regulation will probably not have any meaningful fiscal impact on the unit during the first year. Potential savings should be realized in future school years, provided that there is not a large increase in the number of classified students to be served.

Additionally, the provisions of the above noted Code modify the extent of involvement of members of the CST. The activities of the CST will be modified as a result of the new delineation of CST members' duties. The impact of this change will not reduce CST members' workloads because of anticipated increases in the special education population in the district.

### **Classified Student Placements**

The district has taken measures to return out-of-district student placements by developing programs in the district. The LGBR supports educating resident students in appropriate programs in the least restrictive environment, in accordance with the students' individual educational plans (IEP), preferably within home school districts.

**The district will have a class for classified pre kindergarten (pre-k) students during the 1998-99 school year. The first class will be established to accommodate ten students (maximum class size 11). Previously, the district rented classroom space at Hopewell Elementary School to the Mercer County Special Services School for their half- day pre-K program. Now that space will be used for the district's own program. Placement of these students in an out-of-district facility would cost at least \$13,200 per student. Based upon the district's decision and action to bring these students back into the district for the 1998-99 school year, it will incur the expense for filling two positions, a part time teacher at \$20,000 and a part time aide at a cost of \$6,000. An initial district expense of \$5,000 will cover the cost of setting up its program and obtaining materials and supplies. There will be a minimal reduction in the cost of transportation because, according to each student's I.E.P, the same type of door to door bus service will have to be provided. However, the distance to be traveled by each individual student will vary slightly from the present trip's mileage.**

**Cost Savings: \$101,000**

**For the 1999-2000 school year, the district should attempt to establish two additional pre kindergarten classrooms in which they would provide an appropriate educational program to enable the return of 20 more classified students, in accordance with their IEP specifications.**

**Cost Savings: \$202,000**



**The district needs to review and reassess the appropriateness of its current roster of out-of-district placements (five additional students were placed for only a portion of the year due to either transfer or termination). This assessment should be done with the intent of establishing an appropriate classroom setting suitable to bring elementary school-aged classified students back into the district. If the district were to establish an appropriate setting for these, eight students returned would enable the district to save on the average of \$15,000 per student based on 1997-98 tuition and expenses.**

**Cost Savings: \$120,000**

**The district brought back three of its five hearing impaired students by hiring a teacher who was dually certified, special education and hearing impaired.**

**Cost Savings: \$35,000**

The district has prepared a series of charts setting forth a comparison of proposed and current class types and sizes. These charts set forth the changes in the number of students that can be in a particular type of class and the staffing appropriate to cover each class, in accordance with the new regulations recently adopted by the State Board of Education. The new alignment of teacher/aides allows for the cost of the program, especially if there are students placed who are returned from the more costly out-of-district placements.

**The State Legislature has designed a provision in the 1998-99 budget to enable districts to apply for additional state aid for classified students who have a tuition cost in excess of \$40,000. The district's roster of out-of-district placements indicates only two students in this category for a total of \$88,620 (less \$80,000 = savings of \$8,620).**

**Cost Savings: \$8,620**

**For the new school year, the district will have an occupational therapist to perform related services rather than contract out for these services. The district has been contracting for these services at an annual cost of \$51,804. Hiring a therapist will cost about \$44,000 plus benefits. As the number of students to be served increases, the district will begin to realize savings.**

**Total Special Education Savings: \$446,620**

## **DRIVER EDUCATION**

The health education / athletic department conducts a driver education program which includes a sophomore classroom instruction section, that focuses on fundamentals and basic rules of driving and an elective six hour behind the wheel driving course for students who score at least 80 % on the state test. There are five staff members certified to teach driver education. Vehicles used for the behind the wheel classes are leased from a local dealer on an eight-dollar per diem basis. The cost for this rental from January to December 1997 was \$2,920.

Students are charged a \$220 fee for the behind the wheel instruction plus \$5 for a DMV learner's permit. This instruction is provided after school hours and during the summer. District records

showed that 33 students participated during the 1997-98 year. Costs for fuel and any services charged are debited against the district maintenance / transportation accounts.

**Recommendation:**

**It is recommended that a log of all such expenses from the driver education vehicles and program be kept so that accurate records of the true and total expenses of the program can be maintained, in order to access the total costs of driver education and whether it is self sustaining.**

**CHILD CARE PROGRAM**

The high school offers courses in childcare and development I and II. The classes run for three consecutive periods and include both theories on child care and development stages as well as nursery experience. Children are provided with free care on a first come, first served basis for nine weeks each in the second and fourth marking periods.

**Recommendation:**

**A nominal fee to cover program incidental costs of \$5 per day for each child enrolled should be charged.**

**Revenue Enhancement: \$6,750**

#### **IV. SHARED SERVICES**

Tremendous potential for cost savings and operational efficiencies exists through the implementation of shared, cooperative services between local government entities. In every review, Local Government Budget Review strives to identify and quantify the existing and potential efficiencies available through collaborative efforts of local officials in service delivery in an effort to highlight shared services already in place and opportunities for their implementation.

From interviews with the three local government mayors, all board members (veteran and newly elected, totaling 12), business administrator and acting superintendent, principals and some support staff on the topic, shared services seems to be a hit and miss proposition in HVRSD. Board comments were that shared services is non existent and that the district operates in isolation. LGBR commends those efforts that do exist and those who pursue them. Much more needs to be done in the investigation of all opportunities that are potentially available through this valuable means of cost savings.

Areas that were reported that exist were noted in the Findings section of this report plus the following:

- Some purchasing through the West/Central Cooperative (very little bulk purchasing due to lack of storage space)
- Hunterdon County Educational Services Commission for some special education classes and a shared substance abuse coordinator
- Mercer County Office for special education transportation
- Lawrence Twp. for a pre school handicapped class
- Healthy Community Alliance to assist troubled youth
- Incidental sharing, such as snow plowing, with municipal governments
- Recreation activities on shared fields and facilities

The three mayors were open to the concept of shared services with the schools and with each other's municipalities. Areas proposed and willingness expressed included:

- Expanding the existing Hopewell Valley Recreation Commission on a proportional cost sharing basis
- Interlocal Agreements for services such as police, fire and EMS (note that such agreements exist between Hopewell Borough and Township but that Pennington operates their own departments)
- Willingness to share public works facilities, gasoline purchasing, etc. with the schools
- Willingness to barter services
- Willingness to share all recreational facilities, but this would require coordination (one suggested a community services coordinator to work among the four entities)
- Desire to share libraries
- Willing to explore sharing personnel where feasible
- Willing to pursue informal shared service exchanges and areas

LGBR was very encouraged by the cooperative spirit exhibited by the municipal officials to work with the school district on areas of shared services and opportunities.

The district must make a concerted effort to reach out to community officials to pursue all opportunities of cooperative effort. Further, the board must make this, and the exploration of possible cooperative efforts with neighboring school districts and county organizations for shared service and cost savings opportunities, a top priority.

The board is commended once again for its efforts in forming partnerships with the private sector, businesses and industry, the community foundation and parent groups and it is recommended that an effort be made to reach out to an eager public sector.

## **V. STATUTORY AND REGULATORY REFORM**

The fourth and final section of the report, Statutory and Regulatory Reform, attempts to identify those areas where existing state regulations or statutory mandates are brought to the attention of the LGBR review team by local officials, which appear to have an adverse effect on efficient and cost effective operations. It is common for local officials to attribute high costs and increased taxes to “state mandates.” Each review team is charged with reporting those areas of concern in this section in the report. The findings summarized below will be reviewed by the appropriate state agency for the purpose of initiating constructive change at the state level.

### **Certification Requirements for Specialty Professionals**

New Jersey requires all specialty professionals and teachers to possess a valid teaching certificate and obtain one year of mentorship. This regulation impedes the district’s ability to recruit and hire, otherwise qualified, specialty professionals. In recent years the district has made a concerted effort to increase minority hiring through recruiting in other states. When the district needed a new guidance counselor, they recruited a professional from North Carolina who possessed a doctorate in the field and numerous years of guidance experience. Because of the regulations, the district was unable to hire her. The district seeks to change the requirements or to have a reciprocity agreement with other states to accept their certificated personnel.

### **Certification Requirements for Athletic Coaches**

NJDOE requires that coaches have a teachers certificate and one year of mentorship. The district may obtain a waiver of this requirement by issuing a substitute teacher certificate providing certain conditions are met. The district would like exemptions to these regulations for part-time coaches.

The district outlined the following scenario. When a district needs to hire coaches, they need to hire a certified coach. Priority is given to in-district professional staff and then to qualified adjunct persons outside the district. If they cannot find an applicant who meets the mandated qualifications, they then find an individual who can be certified as a substitute teacher. A substitute certificate can only be issued when the district sends a fingerprint card, publication of a vacancy notice for a teacher (coach), letter of justification by the district and a letter of qualification. They must then wait for approval of the certificate before they can hire.

The district has experienced that most certificated teachers with mentorship will not apply for lower paying part-time coaching jobs. Removal of the requirements (note the district has no complaint regarding the fingerprinting requirement) will reduce the amount of time and paperwork involved in obtaining part-time coaches and expedite the hiring process.

### **Bid Threshold for Computers**

The district would like to see the bid threshold for purchase of computers and computer supply purchasing eliminated or raised. In a district that houses over 1,000 computers in its inventory, the current bid threshold does not allow for the stockpiling of parts through specialty vendors or ordering directly from the manufacturer. Stocking an inventory of parts would have to be ordered on state contract or via the bid process. These processes do not offer the flexibility the

district needs to effect the best prices and to take advantage of the discounts that mail order provides. For example, the district purchases hard drives up to 50 % below retail prices from one vendor and has purchased a large quantity of printer cartridges at 30 % below retail from another. Savings could have been greater if the district bought in bulk. By increasing the bid level for computer purchasing, the district could increase savings.

### **Permit the Purchase of Used Computer Equipment**

Hopewell Valley's staff believes it could save an enormous amount of money through the purchasing of used and/or refurbished equipment. Each time new technology comes on the market, computer manufacturers stop making current technology. For example, when the Pentium 200 chip was put into production, the industry stopped production of the earlier generation Pentium 166 chip. Likewise, when the Pentium Pro II chip appeared on the market, manufacturers stopped making the Pentium 200 chip. If the district determines that its lab of Pentium 133 and 166 computers is more than sufficient to meet the needs of their program in teaching word processing and spread sheet skills using the latest software on the market, why then must they be forced to replace a computer with the latest and more expensive technology when a used or refurbished one would serve the same purpose. The district feels this is costly and wasteful, since the new computer's capability would never be used.

### **Impact Fees**

Both school district and elected municipal officials expressed desire to see strong impact fee legislation placed upon developers to provide, not only property, but funds toward the construction of new schools, when their large developments cause increased population requiring additional schools to meet the growth.

## **LOCAL GOVERNMENT BUDGET REVIEW ACKNOWLEDGMENTS**

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